

MT LEGISLATIVE HISTORY

Chapter 613 1981

Bill H (S) 283

Original bill & hist. ✓C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) APR 10 ✓C

Hearing Date(s) SEP 10 ✓C

APR 13 ✓C

MAR 21 ✓C

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_____ _____C

_____ _____C

Date Out _____ _____C

MAR 28 ✓C

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

IN THE SENATE

January 26, 1981	Introduced and referred to Committee on Taxation.
	Fiscal note requested.
January 30, 1981	Fiscal note returned.
March 25, 1981	Committee recommend bill do pass as amended. Report adopted.
	On motion taken from Committee on Bills and Journals and referred to Committee on Taxation. Motion adopted.
March 28, 1981	Committee recommend bill do pass as amended. Report adopted.
March 30, 1981	Bill printed and placed on members' desks.
April 1, 1981	Second reading, do pass.
April 2, 1981	Correctly engrossed.
April 3, 1981	Third reading, passed. Ayes, 43; Noes, 5. Transmitted to House.

IN THE HOUSE

April 4, 1981	Introduced and referred to Committee on Taxation.
April 17, 1981	Committee recommend bill be concurred in. Report adopted.
April 21, 1981	Second reading, concurred in as amended.

1 *Sen. Elliott* BILL NO. *283*
 2 INTRODUCED BY *Elliott*
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS
 5 INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136,
 6 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING
 7 SECTIONS 15-24-402 AND 15-24-403, MCA."
 8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Section 15-6-136, MCA, is amended to read:
 11 "15-6-136. Class six property -- description --
 12 taxable percentage. (1) Class six property includes*
 13 ~~{a}--business--inventories--as--defined--in--this--section;~~
 14 ~~{b} all unprocessed agricultural products on the farm~~
 15 ~~or in storage except:~~
 16 ~~{+}{a} all perishable fruits and vegetables in farm~~
 17 ~~storage and owned by the producer; and~~
 18 ~~{+}{b} livestock and poultry and the unprocessed~~
 19 ~~products of both.~~
 20 ~~{2}--"Business-inventories"--includes--goods--intended--for~~
 21 ~~sale--or--lease--in--the--ordinary--course--of--business--and--raw~~
 22 ~~materials--and--work-in-progress--with--respect--to--such--goods;~~
 23 ~~business--inventories--do--not--include--goods--leased--or--rented~~
 24 ~~or--mobile--homes--held--by--a--dealer--or--distributor--as--part--of~~
 25 ~~his--stock--in--trade;--The--market--value--of--business~~

1 ~~inventories--for--property--tax--purposes;--is--the--cost--to--the~~
 2 ~~person--subject--to--the--inventory--tax;~~
 3 ~~{3}{2} Class six property is taxed at 4% of its market~~
 4 ~~value."~~
 5 Section 2. Section 15-6-202, MCA, is amended to read:
 6 "15-6-202. Freeport merchandise ~~and~~ business
 7 inventories exemption. (1) Freeport merchandise ~~is~~ and
 8 business inventories are exempt from taxation.
 9 (2) Freeport merchandise means those stocks of
 10 merchandise manufactured or produced outside this state
 11 which are in transit through this state and consigned to a
 12 warehouse or other storage facility, public or private,
 13 within this state for storage in transit prior to shipment
 14 to a final destination outside the state and which have
 15 acquired a taxable situs within the state.
 16 (3) Stocks of merchandise do not lose their status as
 17 freeport merchandise because while in the storage facility
 18 they are assembled, bound, joined, processed, disassembled,
 19 divided, cut, broken in bulk, relabeled, or repackaged.
 20 (4) Any person or other group seeking to qualify its
 21 property for inclusion in ~~this~~ the freeport merchandise
 22 class shall make application to the department of revenue in
 23 such manner or form as may be required by the department.
 24 ~~{5} "Business inventories" includes goods intended for~~
 25 ~~sale or lease in the ordinary course of business and raw~~

1 ~~materials and work in progress with respect to such goods.~~
 2 ~~Business inventories do not include goods leased or rented~~
 3 ~~or mobile homes held by a dealer or distributor as part of~~
 4 ~~his stock in trade."~~

5 Section 3. Section 15-8-104, MCA, is amended to read:

6 "15-8-104. Department audit of taxable value --
 7 penalty for underreporting -- costs of audit paid by
 8 department. (1) When in the judgment of the director of
 9 revenue it is necessary, audits may be made for the purpose
 10 of determining the taxable value of net proceeds of mines
 11 and oil and gas wells, ~~business inventories~~ and all other
 12 types of property subject to ad valorem taxation.

13 ~~(2) -- The taxable value of any underreported portion of~~
 14 ~~any business inventory found as a result of an audit to have~~
 15 ~~been underreported by the owner shall be increased by 25% as~~
 16 ~~a penalty for underreporting.~~

17 ~~(3) -- The 25% penalty may be waived by the department if~~
 18 ~~reasonable cause for failure to report the total value of a~~
 19 ~~business inventory is provided to the department.~~

20 ~~(4) (2) The cost of the audit shall be paid by the~~
 21 ~~department."~~

22 Section 4. Section 15-24-301, MCA, is amended to read:

23 "15-24-301. Personal property brought into the state
 24 -- assessment -- exceptions -- custom combine equipment. (1)
 25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
 2 which it is located:

3 (a) any personal property (including livestock)
 4 brought, driven, or coming into this state at any time
 5 during the year that is used in the state for hire,
 6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
 8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
 10 the general property of the state.

11 (2) The taxes on this property are levied in the same
 12 manner and to the same extent, except as otherwise provided,
 13 as though the property had been in the county on the regular
 14 assessment date, provided that the property has not been
 15 regularly assessed for the year in some other county of the
 16 state.

17 (3) Nothing in this section shall be construed to levy
 18 a tax against a merchant or dealer within this state on
 19 goods, wares, or merchandise brought into the county to
 20 replenish the stock of the merchant or dealer ~~in addition to~~
 21 ~~the tax levied against the inventory of said merchant or~~
 22 ~~dealer on the regular assessment date.~~

23 (4) This section does not apply to any motor vehicle
 24 brought, driven, or coming into this state by any
 25 nonresident person temporarily employed in Montana for a

1 period not exceeding 90 days if the motor vehicle is used
2 exclusively for transportation of such person.

3 (5) Agricultural harvesting machinery classified under
4 class eight, licensed in other states, and operated on the
5 lands of persons other than the owner of the machinery under
6 contracts for hire shall be subject to a fee in lieu of
7 taxation of \$35 per machine for a 60-day period. The
8 machines shall be subject to taxation under class eight only
9 if they are sold in Montana."

10 Section 5. Repealer. Sections 15-24-402 and 15-24-403,
11 MCA, are repealed.

12 Section 6. Applicability. This act applies to taxable
13 years beginning after December 31, 1981.

-End-

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) ~~business inventories as defined in this section~~

(b) all unprocessed agricultural products on the farm or in storage except:

(i) all perishable fruits and vegetables in farm storage and owned by the producer; and

(ii) livestock and poultry and the unprocessed products of both.

(2) ~~"Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work-in-progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade, the market value of business~~

~~inventories for property tax purposes, is the cost to the person subject to the inventory tax.~~

(3) ~~(2)~~ Class six property is taxed at 4% of its market value."

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise ~~is~~ and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its property for inclusion in this the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw

1 materials and work in progress with respect to such goods.
 2 Business inventories do not include goods leased or rented
 3 or mobile homes held by a dealer or distributor as part of
 4 his stock in trade."

5 Section 3. Section 15-8-104, MCA, is amended to read:

6 "15-8-104. Department audit of taxable value --
 7 penalty for underreporting -- costs of audit paid by
 8 department. (1) When in the judgment of the director of
 9 revenue it is necessary, audits may be made for the purpose
 10 of determining the taxable value of net proceeds of mines
 11 and oil and gas wells, ~~business inventories~~, and all other
 12 types of property subject to ad valorem taxation.

13 ~~(2) -- The taxable value of any underreported portion -- of~~
 14 ~~any business inventory found as a result of an audit to have~~
 15 ~~been underreported by the owner shall be increased by 25% as~~
 16 ~~a penalty for underreporting.~~

17 ~~(3) -- The 25% penalty may be waived by the department if~~
 18 ~~reasonable cause for failure to report the total value of a~~
 19 ~~business inventory is provided to the department.~~

20 ~~(4) (2)~~ The cost of the audit shall be paid by the
 21 department."

22 Section 4. Section 15-24-301, MCA, is amended to read:

23 "15-24-301. Personal property brought into the state
 24 -- assessment -- exceptions -- custom combine equipment. (1)
 25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
 2 which it is located:

3 (a) any personal property (including livestock)
 4 brought, driven, or coming into this state at any time
 5 during the year that is used in the state for hire,
 6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
 8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
 10 the general property of the state.

11 (2) The taxes on this property are levied in the same
 12 manner and to the same extent, except as otherwise provided,
 13 as though the property had been in the county on the regular
 14 assessment date, provided that the property has not been
 15 regularly assessed for the year in some other county of the
 16 state.

17 (3) Nothing in this section shall be construed to levy
 18 a tax against a merchant or dealer within this state on
 19 goods, wares, or merchandise brought into the county to
 20 replenish the stock of the merchant or dealer ~~in addition to~~
 21 ~~the tax levied against the inventory -- of -- said -- merchant -- or~~
 22 ~~dealer on the regular assessment date.~~

23 (4) This section does not apply to any motor vehicle
 24 brought, driven, or coming into this state by any
 25 ~~representative person temporarily employed in Montana for a~~

period not exceeding 90 days if the motor vehicle is used exclusively for transportation of such person.

(5) Agricultural harvesting machinery classified under class eight, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of \$35 per machine for a 60-day period. The machines shall be subject to taxation under class eight only if they are sold in Montana."

SECTION 5. COORDINATION INSTRUCTION. SENATE BILL 47, INTRODUCED IN THE 47TH LEGISLATURE, REMOVES LIVESTOCK, POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS SEVEN AND PLACES THEM IN CLASS SIX FOR PURPOSES OF PROPERTY TAXATION. IF SENATE BILL 47 IS PASSED AND APPROVED, THEN SECTION 1 OF THIS ACT IS TO BE REPLACED WITH THE FOLLOWING SECTION:

SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) business-inventories-as-defined-in-this-section livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except;

~~(1)~~ all perishable fruits and vegetables in farm storage and owned by the producer~~and~~

~~(1) livestock and poultry and the unprocessed products of both.~~

~~(2) "Business-inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work-in-progress with respect to such goods. Business-inventories do not include goods leased or rented or mobile homes held by a dealer as part of his stock-in-trade. The market value of business-inventories for property-tax purposes is the cost to the person subject to the inventory tax.~~

~~(3)(2)~~ Class six property is taxed at 4% of its market value."

Section 6. Repealer. Sections 15-24-402 and 15-24-403, MCA, are repealed.

Section 7. Applicability. This act applies to taxable years beginning after December 31, 1981.

-End-

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA."

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~~(ii) livestock and poultry and the unprocessed products of both.~~

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work-in-progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business~~

~~inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3) Class six property is taxed at 4% of its market value.~~

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise is and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its property for inclusion in ~~this~~ the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

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1 materials and work in progress with respect to such goods.
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 3 or mobile homes held by a dealer or distributor as part of
 4 his stock in trade."

5 Section 3. Section 15-8-104, MCA, is amended to read:

6 "15-8-104. Department audit of taxable value --
 7 penalty for underreporting -- costs of audit paid by
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 21 department."

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23 "15-24-301. Personal property brought into the state
 24 -- assessment -- exceptions -- custom combine equipment. (1)
 25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
 2 which it is located:

3 (a) any personal property (including livestock)
 4 brought, driven, or coming into this state at any time
 5 during the year that is used in the state for hire,
 6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
 8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
 10 the general property of the state.

11 (2) The taxes on this property are levied in the same
 12 manner and to the same extent, except as otherwise provided,
 13 as though the property had been in the county on the regular
 14 assessment date, provided that the property has not been
 15 regularly assessed for the year in some other county of the
 16 state.

17 (3) Nothing in this section shall be construed to levy
 18 a tax against a merchant or dealer within this state on
 19 goods, wares, or merchandise brought into the county to
 20 replenish the stock of the merchant or dealer in addition to
 21 the tax levied against the inventory of said merchant or
 22 dealer on the regular assessment date.

23 (4) This section does not apply to any motor vehicle
 24 brought, driven, or coming into this state by any
 25 nonresident person temporarily employed in Montana for a

period not exceeding 90 days if the motor vehicle is used exclusively for transportation of such person.

(5) Agricultural harvesting machinery classified under class eight, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of \$35 per machine for a 60-day period. The machines shall be subject to taxation under class eight only if they are sold in Montana."

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SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) business-inventories-as-defined-in-this-section livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except:

~~all perishable fruits and vegetables in farm storage and owned by the producer and~~

~~livestock and poultry and the unprocessed products of both.~~

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer as part of his stock in trade. The market value of business inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3)(2) Class six property is taxed at 4% of its market value."~~

Section 6. Repealer. Sections 15-24-402 and 15-24-403, MCA, are repealed.

Section 7. Applicability. This act applies to taxable years beginning after December 31, 1981.

-End-

SENATE BILL NO. 283

INTRODUCED BY ELLIOTT

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; PROVIDING TAX CREDITS FOR BUSINESS INVENTORY TAXES PAID PRIOR TO EXEMPTION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA; AND PROVIDING EFFECTIVE DATES."

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Section 1. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

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~~(2) --"Business inventories"--includes goods intended for sale--or--lease--in--the--ordinary--course--of--business--and--raw materials--and--work--in--progress--with--respect--to--such--goods. Business--inventories--do--not--include--goods--leased--or--rented~~

~~or--mobile--homes--held--by--a--dealer--or--distributor--as--part--of his--stock--in--trade--the--market--value--of--business inventories--for--property--tax--purposes--is--the--cost--to--the person--subject--to--the--inventory--tax.~~

~~++~~(2) Class six property is taxed at 4% of its market value."

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise is and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

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Section 3. Section 15-8-104, MCA, is amended to read:

"15-8-104. Department audit of taxable value -- penalty for underreporting -- costs of audit paid by department. (1) When in the judgment of the director of revenue it is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells, ~~business inventories~~ and all other types of property subject to ad valorem taxation.

~~(2) -- The taxable value of any underreported portion of any business inventory found as a result of an audit to have been underreported by the owner shall be increased by 25% as a penalty for underreporting.~~

~~(3) -- The 25% penalty may be waived by the department if reasonable cause for failure to report the total value of a business inventory is provided to the department.~~

~~(4) (2)~~ The cost of the audit shall be paid by the department."

Section 4. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state

-- assessment -- exceptions -- custom combine equipment. (1) Property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in some other county of the state.

(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer ~~in addition to the tax levied against the inventory of said merchant or dealer on the regular assessment date.~~

(4) This section does not apply to any motor vehicle

brought, driven, or coming into this state by any nonresident person temporarily employed in Montana for a period not exceeding 90 days if the motor vehicle is used exclusively for transportation of such person.

(5) Agricultural harvesting machinery classified under class eight, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of \$35 per machine for a 60-day period. The machines shall be subject to taxation under class eight only if they are sold in Montana."

SECTION 5. COORDINATION INSTRUCTION. SENATE BILL 47, INTRODUCED IN THE 47TH LEGISLATURE, REMOVES LIVESTOCK, POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS SEVEN AND PLACES THEM IN CLASS SIX FOR PURPOSES OF PROPERTY TAXATION. IF SENATE BILL 47 IS PASSED AND APPROVED, THEN SECTION 1 OF THIS ACT IS TO BE REPLACED WITH THE FOLLOWING SECTION:

SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:
 "15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) ~~business-inventories-as-defined-in-this-section livestock and poultry and the unprocessed products of both;~~

(b) all unprocessed agricultural products on the farm or in storage except*;

~~(1) all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~(2) livestock and poultry and the unprocessed products of both.~~

~~(3) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work-in-progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.~~

~~(4) Class six property is taxed at 4% of its market value."~~

Section 6. Repealer. Sections 15-24-402 and 15-24-403, MCA, are repealed.

SECTION 7. BUSINESS INVENTORY CREDIT. (1) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1980 AND BEFORE JANUARY 1, 1983, THERE IS ALLOWED AS A CREDIT AGAINST THE TAXES IMPOSED BY 15-30-103, 15-31-101, 15-31-121, AND 15-31-122 A CREDIT EQUAL TO THE AMOUNT OF THE BUSINESS INVENTORY TAX PAID UNDER 15-6-136 BY THE TAXPAYER IN THE TAXPAYER'S TAXABLE YEAR.

(2) IN THE EVENT THAT THE CREDIT FOR BUSINESS INVENTORY TAX ALLOWED IN SUBSECTION (1) EXCEEDS THE

TAXPAYER'S TAX LIABILITY FOR THE TAXABLE YEAR, THE TAXPAYER SHALL RECEIVE FROM THE STATE A TAX REFUND IN THE AMOUNT OF THE EXCESS OF THE BUSINESS INVENTORY CREDIT OVER THE TOTAL TAX LIABILITY.

(3) NO PART OF THE BUSINESS INVENTORY CREDIT MAY BE CARRIED FORWARD OR CARRIED BACK TO TAXABLE YEARS OTHER THAN THE TAXABLE YEAR IN WHICH THE TAXPAYER PAID A BUSINESS INVENTORY TAX UNDER 15-6-136.

(4) NO BUSINESS INVENTORY TAX CREDIT IS ALLOWED IN THE TAXPAYER'S TAXABLE YEAR UNDER SUBSECTION (1) IF THE TAXPAYER CLAIMS A DEDUCTION IN THE TAXABLE YEAR FOR THE BUSINESS INVENTORY TAX UNDER 15-30-121 AND 15-31-144.

Section 8. Applicability. ~~This act applies~~ (1) SECTIONS 1 THROUGH 6 APPLY to taxable years beginning after December 31, ~~1981~~ 1982.

(2) SECTION 7 APPLIES TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1980 AND BEFORE JANUARY 1, 1983.

SECTION 9. EFFECTIVE DATES. (1) SECTIONS 1 THROUGH 6 ARE EFFECTIVE JANUARY 1, 1983.

(2) SECTIONS 7 THROUGH 9 ARE EFFECTIVE ON PASSAGE AND APPROVAL.

-End-

SENATE BILLS

COMMITTEE ON TAXATION

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO ~~NOT~~ PASS <u>DATE</u>	DO NOT PASS <u>DATE</u>	DO PASS AS AMEND. <u>DATE</u>	BE CON- CURRED IN <u>DATE</u>	BE CONC. IN AS AMENDED <u>DATE</u>	BE NOT CON- CURRED IN <u>DATE</u>
231	1-23-81	2-05-81				2-18-81			
248	1-23-81	2-05-81	Tabled	3-21-81					
252	1-23-81	2-06-81				3-26-81			
255	1-23-81	2-05-81				2-11-81			
260	1-23-81	2-06-81			3-23-81				
269	1-26-81	2-09-81				2-20-81			
279	1-26-81	2-09-81		2-18-81					
280	1-26-81	2-10-81			3-04-81				
283	1-26-81	2-10-81				3-21-81			
283	3-25-81	3-28-81				3-28-81			
284	1-26-81	2-10-81		2-20-81					
291	1-27-81	2-11-81				3-09-81			
292	1-27-81	2-11-81				3-09-81			
317	1-29-81	2-16-81	Laid on	the table	3-21-81				
322	1-29-81	2-12-81				3-05-81			
326	1-29-81	2-11-81	Tabled	2-24-81					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 10, 1

The twenty-third meeting of the committee was called to order at a.m. in the Old Highway Building auditorium, Chairman Pat Goodov presiding.

ROLL CALL: All members were present, with the exception of Sen. s Brown.

CONSIDERATION OF SENATE BILL 283:

"AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDI SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; REPEALING SECTIONS 15-24-403 AND 15-24-403, MCA."

Sen Elliott said this is a bill that will eliminate business inven from property taxation. Reasons he feels these taxes should be re are 1) 36 states have already dropped, or are phasing out, the tax inventories, 2) many stores are converting to catalog stores which not provide a complete line of merchandise, 3) to allow wholesale a more competitive position in locating in Montana, and 4) to help seasonal stores, i.e., ski merchandisers, to be more competitive. Sen. Elliott introduced Curt Hansen, Executive Vice-president of t Montana Retail Association. Mr. Hansen read a mail-gram from Ross Sandler, General Manager for the Bon, Attachment #1. Mr. Hansen's testimony is Attachment #2. He also submitted Attachments 3 throu

PROPOSERS:

Slim Slattery, registered lobbyist for Montana Retail Association, ment #9.

Lois Toplarski, Lenz Card and Gift Shop, Butte, Attachment #10.

Alma Hinand, representing Ray's Sports Westernwear in Harlowton, at ment #11.

Bruce Simon, Coles Department Store, Billings, Attachment #12.

Frank Davis, Montana State Pharmacy Association, reading letter fro Arthur C. Ekberg, Attachment #13.

H. Allen Shumate, retired, representing National Federation of Natio Businessmen, President, Helena Property Owner's Association.

Bob Holding, attorney, executive Director for Montana Wood Products Association.

Forrest Boles, President, Montana Chamber of Commerce.

Keith Anderson, Montana Taxpayers Association president, Attachment

Jack Roemer, Roemer's Tire Center, Missoula.

Terry Brady, Sportsman Surplus, Missoula.

Dave Goss, Billings Area Chamber of Commerce.

Dick Hart, Bozeman, representing Downtown Businessman's Association.

Fred Robinson, Manager Peterson Lumber Co., Helena.

Thomas W. Maddow, Mt. Association of Tobacco and Candy Distributors, Helena.

Ed. McHugh, owner-operator of Clover Leaf Dairy, Helena.

Craig Anderson, Tractor and Equipment Co., Billings, Attachment #1; Loren Davis, Davis Business Machines, Helena, Attachment #17. Letters are also attached from Hart-Albin Company, Attachment #18; Sigman's, Attachment #19; Kays, Southgate Mall, Missoula, Attachment #20, and Big Bear Stores, Billings, Attachment #21.

The hearing was closed on Senate Bill 383 and the meeting place changed from the auditorium to Room 415, State Capitol Building.

CONSIDERATION OF SENATE BILL 280:

"AN ACT TO INCREASE THE RATE OF INTEREST CHARGED ON DELINQUENT PROPERTY TAXES TO 3 PERCENT PER ANNUM ABOVE THE DISCOUNT RATE IN EFFECT AT THE DATE OF DELINQUENCY IN THE NINTH FEDERAL RESERVE DISTRICT; AMENDING SECTIONS 15-16-101, 15-16-102, AND 15-17-303, MCA."

Sen. Van Valkenburg said this bill would tie the rate of interest on delinquent taxes to the federal reserve discount rate, saying the rate would be 3 1/2% above discount rate on the date of delinquency. Sen. Van Valkenburg asked that an immediate effective date be considered for this bill. He said Mike Stephen had a breakdown of those who are not paying their taxes in a timely manner.

Mike Stephen, Montana Association of Counties, said he had 3 counties who had submitted testimony: Missoula, Cascade, and Flathead. Attachment #22 is from Flathead County Treasurer, and Attachment #23 is from Cascade County Treasurer. Following is an analysis of unpaid taxes in Missoula County. \$0 - \$499, 24%; \$500 - 1,000, 22%; 1,000 - 1,999, 12%; 2,000 - 2,999, 4%; 3,000 - 3,999, 2%; over \$4,000, 35%.

PROPONENTS:

Bruce MacKenzie, D. A. Davidson Co, felt that if there were not sufficient enforcement provisions and a history of delinquencies, the bond ratings suffer and they bear a higher interest rate. He felt a provision that truly penalized delinquencies instead of providing an incentive for late payment was a step to correct the problem.

Bill Cregg, Mayor of Missoula, felt the idea of tying to the Federal discount rate was equitable. On the other hand, he said, if it is left to the delinquent taxpayers should have the lower rate.

There were no opponents and questions were called for from the committee.

Sen. Crippen wanted to know how many in the \$4,000 class, comprising 35% of delinquencies in Missoula County, were involving people under tax appeal. Mr. Stephen didn't have the figures. Sen. Eck asked Sen. VanValkenburg what kind of rate were we looking at, and he said about 19%.

The hearing was closed on Senate Bill 280.

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 2/10/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve		✓	
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

March 21, 1981

page 5

GOODOVER: The bill was up before legislature two years ago and was broader. This one is restricted to a few of the funds.

CRIPPEN: How would this affect our suit on the tax?

Senator Towe felt we were in a good position as it is now with only 19% going into the general fund.

Senator McCallum asked for the question. The motion was to give SB 260 a DO PASS. The vote tied at 7-7. Senator Goodover asked whether anyone wanted to change their vote so that he could retrieve it on the floor on an adverse. Senator Crippen changed his vote from yes to no so that an adverse report could be issued. The secretary was instructed to show that the motion was a DO NOT PASS and that the vote show an 8-6 count.

DISPOSITION OF SENATE BILL 283:

Senator Elliott handed out proposed amendments for SB 283. He said the effect of the amendments is to clarify that if business inventories are stricken from the present language we do not suggest that livestock or poultry be removed from Class 7 and placed in Class 6. He moved the amendments and the motion carried unanimously.

SEVERSON: I am not opposing that amendment. We came in to bring equity, not to eliminate.

MCALLUM: The coordinating instruction says if SB 47 passes, then it would put all livestock into inventory. If SB 47 doesn't pass, it will still be in Class 7 property?

SEVERSON: If the business inventory bill should pass and the livestock not pass, the lawsuits you would have would be like nothing the 34% cases have ever seen.

Senator Eck passed out an amendment which requires the state general fund to repay the counties for revenue lost, based on 1980.

OCHSNER: You are not giving any consideration for inflation from 1980 on?

ECK: That is a problem. She said she would like to get this through on one bill. She thought this is one option, and that the amendment has some advantages because it is more of a replacement for each county for what they are losing.

Senator Elliott spoke against the amendment, saying it would become a bureaucratic nightmare.

ECK: I would like Mike Stephens to explain how easy this would be for the assessors.

STEPHENS: This is not a burden--all the assessors and treasurers would have to do would be to keep track of the over-all amount and when monies came back in, knowing this disbursement would be available, they would disburse the funds.

GOODOVER: Where will you get the money?

ECK: In the Republican package they have about 20 million dollars for some kind of relief to local governments. If the Republicans will agree to the Governor's proposal in 356 they could use it for local governments.

Senator Elliott made a motion that SB 283 be given a DO PASS, AS AMENDED. Senator Eck offered her amendment at this time for adoption. The vote on accepting Senator Eck's amendment failed to carry--6 ayes and 8 no's. Senator Elliott moved the bill for DO PASS, AS AMENDED, with his amendment. Motion carried.

DISPOSITION OF SENATE BILL 317:

ECK: This bill would allow money to go to school districts, municipalities, and roads.

McCALLUM: I think a lot of these counties in eastern Montana that have a lot of oil production had tough times in the '30's. Counties would get a lot of tax land but people retained the mineral rights after the land was sold. I think we passed a bill to let them use some of that royalty for income to the counties.

TOWE: You can't use coal money for oil impacts. Counties and road funds are up to the maximum mills. No mechanism for transfer of one to the other. That's what this bill is about.

CRIPPEN: We have a bill in this committee that will increase the county road fund.

TOWE: 3 mills. It's really not significant.

CRIPPEN: I could support this bill if money were going to the general fund.

S. BROWN: My problem with this is I have to compare with coal. Now we are saying here if counties have oil and gas that's bad. I have a problem trying to redistribute and take it away from them.

McCALLUM: I don't want to pass it out and I don't want to kill it. I will make a motion that we put this bill on the table. The motion passed to lay the bill on the table, Senators Crippen and Manley dissenting.

DISPOSITION OF SENATE BILL 337:

S. Brown made a motion that this bill be given a DO PASS. This bill does not have the problems that Senator Himsl's bill has

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Mar. 21, 1

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	(late) ✓	✓	

Each day attach to minutes.

SENATE COMMITTEE

TAXATION

Date Mar. 21, 1981 Senate Bill No. 283 Time 9:05

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)		✓
SEN. BOB BROWN		✓
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT		✓
SEN. HAGER	✓	
SEN. HEALY		✓
SEN. MANLEY		✓
SEN. NORMAN		✓
SEN. OCHSNER	✓	
SEN. SEVERSON		✓
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

6 - 8

Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion:

Sen. Eck's amendment. Failed.

(include enough information on motion--put with yellow copy of committee report.)

SENATE COMMITTEE

TAXATION

Date Mar. 21, 1981 Senate Bill No. 283 Time 9:07 a.m.

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN		✓
SEN. CRIPPEN	✓	
SEN. ECK		✓
SEN. ELLIOTT	✓	
SEN. HAGER	✓	
SEN. HEALY	✓	
SEN. MANLEY	✓	
SEN. NORMAN		✓
SEN. OCHSNER	✓	
SEN. SEVERSON		✓
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)	✓	

10 - 4

Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion:

Pass, as amended

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 21 1981

PRESIDENT:

MR.

TAXATION

We, your committee on

having had under consideration Senate Bill No. 283

Superseded 3/28/81

Respectfully report as follows: That Senate Bill No. 283
introduced copy, be amended as follows:

1. Page 5.

Following: line 9

Insert: "Section 5. Coordination instruction. Senate bill 47, introduced in the 47th legislature, removes livestock, poultry, and the unprocessed products of both from class seven and places them in class six for purposes of property taxation. If senate bill 47 is passed and approved, then section 1 of this act is to be replaced with the following section:

"Section 1. Section 15-6-136 is amended to read:

"15-6-136. Class six property -- description -- taxable percentage

(1) Class six property includes:

(a) ~~business-inventories-as-defined-in-this-section~~ livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except,

DO PASS

(CONTINUED)

{1} all perishable fruits and vegetables in farm storage and owned by the producer, and

{2} livestock and poultry and the unprocessed products of both.

{3} "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories for property tax purposes is the cost to the person subject to the inventory tax.

{3}(2) Class six property is taxed at 4% of its market value."
Renumber: subsequent sections.

And, as so amended,

DO PASS



The Big Sky Country

MONTANA STATE SENATE

SEN. PAT M. GOODOVER
833 FOREST AVENUE
GREAT FALLS, MONTANA 59404
PHONE 406-453-2186

HELENA ADDRESS:
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HELENA, MONTANA 59620

COMMITTEES:
TAXATION —
CHAIRMAN
BUSINESS & INDUSTRY
VICE-CHAIRMAN
LABOR & EMPLOYMENT RELATIONS
LEGISLATIVE COUNCIL
CHAIRMAN
COUNCIL OF STATE
GOVERNMENTS
GOVERNING BOARD
CSG TRANSPORTATION

3-28-81

The undersigned members of the Senate Taxation Committee have authorized that SB 283 be reported out of Committee to be placed on second reading. SB 283 had been passed out of Committee, went thru required hearings and was favorably voted out.

Pat M. Goodover, Chairman
George McCallum V.C.
John Manly
Bob Brown
Barclay
Tom
Jack
Dennis

Steve Brown
Steve Brown
Steve Brown

STANDING COMMITTEE REPORT

March 28

81

19.....

PRESIDENT:

M.R.

TAXATION

We, your committee on

Senate

Bill No. 283

having had under consideration

Senate

283

Respectfully report as follows: That

Bill No.

introduced copy, be amended as follows:

1. Page 5.

Following: line 9

Insert: "Section 5. Coordination instruction. Senate bill 47, introduced in the 47th legislature, removes livestock, poultry, and the unprocessed products of both from class seven and places them in class six for purposes of property taxation. If senate bill 47 is passed and approved, then section 1 of this act is to be replaced with the following section:

"Section 1. Section 15-6-136 is amended to read:

"15-6-136. Class six property -- description -- taxable percentage

(1) Class six property includes:

(a) business-inventories-as-defined-in-this-section livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except,

XXXXXX
DO PASS

RF

(CONTINUED)

Chairman.

March 28

81

19

~~{1} all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~{1i} livestock and poultry and the unprocessed products of both.~~

~~{2} "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.~~

~~{3} (2) Class six property is taxed at 4% of its market value."~~
Renumber: subsequent sections.

And, as so amended,

DO PASS

JRF

TAXATION COMMITTEE

47th Legislature

SENATE

Bill No.	Subject matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SB 279	Amending 16-1-411 to standardize the timing of imposition of table wine tax.	March 2	Goodover	March 11	Be concurred in 4 opposed March 13	March 13
SB 283	To exempt business inventories from taxation	April 4	Elliott	April 10	Be concurred in 11-8 April 13	
SB 284	Amending 67-10-402 to clarify when a vote of electors is required to incur an indebtedness for airport purposes.	March 2	Stimatz	April 10	Be concurred in Unan March 11	March 12
SB 292	To provide greater flexibility for the issuance of industrial development bonds by a municipality or county under title 90	March 19	Hager	March 23	Be concurred in as amended March 27 Unan	
SB 322	To stimulate the production and use of organic fertilizer and soil amendments in mt. by providing tax incentives.	March 20	Halligan	March 26	Be concurred in as amended 2 opposed April 10 Azzara	
SB 337	To provide property tax relief to certain homeowners and renters by means of a credit against individual income tax liability..	March 30	Regan	April		

=6=

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 10, 1981

A meeting of the House Taxation Committee was held on Friday, April 10, 1981 at 8:00 a.m. in the Livestock Auditorium, Dept. of Justice. All members were present except Reps. Williams, Dozier, Zabrocki, Hart, Brand, and Harrington, who were absent. SENATE BILLS 44 and 283 were heard and EXECUTIVE ACTION was taken on SENATE BILLS 17, 19, 44, 77, 102, 192, 210, 269, 322, 361, and 377 and SENATE JOINT RESOLUTION 10.

SENATE BILL 44, sponsored by Sen. Roger Elliott, was heard. This bill raises the exemption level to \$1,000 on the State income tax return. This concept has been disclaimed, but he thought it was reasonable. In 1933 the CPI was 39.2 and in November 1980 it was 256.4. If the exemption was raised proportionately, it would be more than \$6,000.

There were no OPPONENTS to SB 44; there were no questions. Sen. Elliott closed, and the hearing on SB 44 was closed.

SENATE BILL 283, also sponsored by Sen. Elliott, was then heard. This bill would remove from property taxation business inventories. The inventory tax has been reduced over the years. In his research, he found that in business practice, this was a report that was grossly mishandled on the local level.

None of Montana's neighbors have an inventory tax and in 36 States the tax has been dropped or it is in the process of being dropped.

One of the main detriments of the tax is that it discourages the location of wholesale centers in Montana. The tax encourages catalog stores. There are many other problems, regarding lack of inventory and unfairness of the tax. People who don't turn over their inventory very often have to pay the same as those who turn the inventory over 8 or 10 times per year. Also, there are seasonal fluctuations and people who don't have inventory at the right time don't have any tax on it.

If the tax is removed, there will be a shift in the burden of taxation because of the loss in the base. At present, 1.7% of the total property tax burden is from inventory, producing \$7.2 million in revenue out of \$418 million from the property tax as a whole. The effect of this loss will be felt in large Cities. To offset this, it has to be considered that there is an increase in other property taxes every year, which alone per year has never been as low as the loss would be from this bill. The cost associated with enforcement of the tax is high and enforcement is nonproductive, also.

Curt Hansen, Executive Vice President of the Montana Retail Association, then rose in support of the bill. In addition to written testimony, he passed out copies of several letters and petitions which the Association had been asked to present; see

Exhibit "A."

Keith Anderson, Montana Taxpayers Association, then rose in support of the bill; see Exhibit "B."

A. G. "Slim" Slattery, Montana Retail Association, also spoke up in support of the bill; see Exhibit "C."

Gary Langley, National Federation of Independent Business, then spoke; see Exhibit "D."

Craig Anderson, Controller, Tractor and Equipment Co., then rose in support of the bill; see Exhibit "E."

Dorothy Cosco, Billings, rose in support of the legislation. Her business is dependent upon weather and other conditions beyond her control. Competition will not allow her margin of profit to be expanded because of the tax. Just when they are least able to afford the extra burden, when sales are down, they have the tax levied. Sometimes they have to pay the inventory tax on the same stock two or three times. Unlike many other professions who don't have an actual inventory, they have the inventory and thus have to pay the tax for the privilege of doing business. This is a confiscatory tax. While all other taxes are based on sales or profit, this tax has no relationship with the ability to pay or any other economic factor. Often it works as a double penalty.

Bud Spires, in the tire business, said that Montana was the only State he traveled that had the inventory tax. His distributors and dealers are at a disadvantage because of this. In the past five years the tire distributors have had to increase their inventories 5 to 6 times because of the new tires being marketed. The cost has to be passed on to the consumer and this is inflationary in itself.

Mark Lisac, Lisac's Tires of Butte, then spoke. They have large inventories because of the season and they would like to have this bill approved.

Frank Davis, Executive Director, Montana State Pharmaceutical Association, then rose in support of the bill; see written testimony Exhibit "F." He submitted that the tax wasn't equitable because the Assessor extended some people more honor than others.

Charles R. Brooks, one of the owners of Gibson's Products Co., rose in support of the bill; see Exhibit "G."

Gary Buchanan, Acting Director of the Dept. of Business Regulation and Designated Director of the new Dept. of Commerce, then rose in support of the bill. He stated that the Governor had

asked him to come and rise in support of the bill. One of the main goals of the new Dept. of Commerce is to promote the growth of business in Montana. (1) The inventory tax constrains the ability of Montana business to carry a complete line of goods; (2) the tax doesn't affect all business equally; (3) the tax isn't relative to profit, and actually can be inversely related to the ability to pay, and (4) if the State wants to foster the development of new business, the elimination of this tax will help that. He rose in support of the position of the Summit to replace the loss of revenue to local government

Avis Ann Tobin, Executive Vice President of the Montana Hardware and Implement Association, urged passage of the bill.

George Allen, owner of a small retail business in downtown Helena, rose in support of the bill. A few years ago when this was being discussed, he found that his store paid more than \$2,000 in inventory taxes while a catalog store doing the same gross sales paid \$122. Another catalog store did three times his gross sales, but paid \$455. A chain store with a catalog operation did more than five times the volume that he did and they paid just about the same inventory tax. The small retailer trying to give his customers a selection is penalized. This is an inequitable, unfair tax and the small independent is carrying an unfair burden as compared to the majors.

Fred Robinson, manager of Peterson Lumber, Helena, and representing several other lumber dealers throughout the State, rose in support of the bill. They feel this is a very unfair tax. Bad or unwise business decisions are made because when the end of the year comes and the tax is due, they reduce their inventory and then the customer suffers because the stock that is needed isn't available.

Charles Haeffner, Anaconda Chamber of Commerce, wished to go on record in support of the bill. Relief is much needed, especially in Anaconda. Most of their businesses are small ones and their property taxes are high and will be more so if they have to make up for the loss from the Anaconda Co.'s pulling out. He asked that the Committee consider the plight of Anaconda and pass the bill. He said that in order to make the freight rates worth it, stocks are large, and if business is slow, the tax becomes very inequitable. If Anaconda is to progress, new industry is needed. The first thing people want to know when they are considering starting a business in the area is what taxes they will be paying. He submitted that more industry and people are needed in the State.

Lois Topparski, Lenz Cards and Gifts, Butte, and also repre-

senting the Montana Retail Association, rose in favor of the bill. It took them five years to make their business into a money-making entity and during those lean years, it was quite a hardship to pay the inventory tax.

She rose in support of the Governor's effort to create the Dept. of Commerce. However, they had problems concerning how this approach could be effective as long as the inventory tax was still on the books. If the Legislature will provide some kind of interim financing for the Cities and Counties, so they can expand their tax bases, they will come out more than ahead from what they will lose from the absence of the inventory tax.

Loren Davis, Davis Business Machines of Helena, rose in support of the bill. He also represented the Montana Office Machine Dealers Association; see written testimony Exhibit "H."

Irv Dillinger, Executive Secretary of the Montana Building Materials Dealers Association, rose in support of the bill; as did Dave Goss, Billings Area Chamber of Commerce.

Clark Pyfer, Chairman of the Board, Montana Chamber of Commerce, and also a consultant to a CPA firm, rose in support of the legislation. He reemphasized that because of high interest rates, almost everyone is penalized for holding an inventory, even more than in prior years. He emphasized that the Legislature had been billed as pro-business, but up to date, there hadn't been too many concrete evidences of that pro-business legislation being signed into law.

Maynard Olson, Special Assistant to Ed Argenbright, Office of Public Instruction, then spoke. He requested that adequate replacement revenues be found. Schools will be adversely affected if these revenue sources are eliminated or reduced without funding being provided to make up the loss. He stated that he was neither a proponent nor an opponent of the bill.

Roger Tippy, Montana Beer and Wine Wholesalers, stated that that organization was in favor of the bill.

Bill Verwolf, Finance Director, City of Helena, then spoke up, neither in support of nor opposed to the bill. The business community is their lifeblood and they support this. He reminded the Committee that the bill had the prospect of eliminating a revenue source and the Cities and Counties were in dire financial straits as it was, and one of the reasons was because of the tax appraisal system. For property in any area that is not expanding, the tax valuation has remained static, so the only increase in revenue the governments get is from construction or additions. Helena's taxable valuation has increased at less than 2% per year

in the past few years and when increases are compared to the impact from inflation, the Cities can be seen to be slipping further and further behind in their ability to provide services. It is getting down to core services that need funding. Although they don't oppose the bill, they submitted that the Cities, Counties, and School Districts needed replacement revenue.

Mike Stephen, Montana Association of Counties, then rose in OPPOSITION to the bill. He asked, just what should be included on the property tax and what should be eliminated. What is equitable and fair was for the Committee to decide, he submitted. When a bill increases the burden on the property tax, this needs to be scrutinized. He remarked that if the bill passed, they hoped there would be replacement funding in the plans of the Legislature.

Owen Nelson, Montana Education Association, pointed out that 33% of the money for operating public schools presently came from voted tax levies. This bill would reduce that tax base by \$33 million and this will be very detrimental to many of their schools. If the bill would provide for replacement of the lost revenue, they would support it.

Larry Weinberg, Dept. of Revenue, then made some comments. As the agency charged with the duty of valuing the property, they are neutral on the bill. However, he urged the Committee to consider sources of replacement revenue.

Questions were then asked. Rep. Roth asked Mr. Buchanan if he had any suggestions as to the method of replacement of the lost revenue. He replied that he had no comment.

Rep. Roth asked Sen. Elliott for his response. He said it had to be kept in mind that the reduction was \$7.2 million across the State out of much more collected. Taxable value increased more than this every year. He considered that the tax was low enough that it wouldn't have to be replaced. He recognized the fact that there would be a reduction, however. He submitted that there was a considerable amount of saving that could be done by the Cities and Counties.

Rep. Nordtvedt pointed out that the livestock tax classification had been changed to inventory status, and wanted to know if it was the intent of the bill to bring livestock to "0" or to leave it at 4%. Sen. Elliott said there was a section in the bill to provide that if the bill passed, the livestock category would be left at 4%.

Sen. Elliott then closed. Regarding the livestock situation, the Dept. of Revenue just doubled the valuation of livestock, so instead of considering reducing the percentage of assessed valuation in that classification as was done on the real estate level, it

would have made good logic to reduce the rate of assessed to taxable. However, livestock chose instead to take their classified items out of Class 7 and into Class 6 and that had been the problem considering that particular issue.

He said he recognized the problems of the Cities and the Counties and the School Districts. He submitted that his previous comments in that area had been his personal feelings. Their responsibility is to run the Cities, Counties, and School Districts, and to do this, they needed to raise money. Budgets determine mill levy amounts. The fact that the tax base is shrinking points out the fact that mill levies are increasing. He suggested that the Legislature or future ones consider raising the allowable mill limits. He suggested that the Committee look at the size of the budget of the Cities. The problem is the other limits that are put on the governments and not the fact that their tax base is shrinking. He wanted to reinforce the idea that this was only 1.7% of the total tax base. The hearing on SB 283 was then closed.

The Committee then recessed and returned to Room 102 of the State Capitol. The Committee reconvened at 9:50 a.m.; all members were present except Rep. Williams, who was absent.

The Committee went into EXECUTIVE SESSION; Rep. Underdal moved that SENATE BILL 361 BE CONCURRED IN. Rep. Dozier made a substitute motion that the bill BE NOT CONCURRED IN. The question was called for on the substitute motion; motion failed by voice vote. The original motion was then voted on and carried 13 - 3; see roll call vote. Rep. Underdal agreed to carry the bill.

Rep. Oberg then moved that SENATE BILL 377 BE CONCURRED IN. Discussion took place, and the question was called for. Motion carried with Reps. Roth, Zabrocki, Harp and Underdal opposed. Rep. Williams had left a "yes" vote with the Chairman.

SENATE BILL 210 was considered. The argument that an individual's rights might be undercut if another lawsuit was lost was discussed. The language on P. 5, line 24 said that the individual still had rights of appeal on an individual basis. It is only the class action court case that would apply to all people affected. Mr. Oppedahl (Legislative Council) reviewed what the amendment was that the Committee had accepted on March 20; see Exhibit "I."

Rep. Nordtvedt moved that SENATE BILL 210 be taken off the Table and that it BE CONCURRED IN AS AMENDED; motion carried unanimously.

SENATE BILL 322 was considered. Amendments were distributed; see

VISITORS' REGISTER

HOUSE TRAVEL

COMMITTEE

BILL 513 253Date 4/10/51SPONSOR 81107

NAME	RESIDENCE	REPRESENTING	SUPPO
Larry Wembury	Helena	D.O.R.	<u>co</u>
Art Kuler	Helena	Capital State Bank	X
William J. Steward	St Falls	Mattencio's Super Sack	X
Sam Hoffmeyer	Bozeman	Strong's Hardware & Supply Montgomery Ward	X
Walter Lorie	Butte	Lionel's Times	X
W. H. H. H.	Bozeman	Bozeman Times	X
Mike Connolly	Helena	Liquor Sam Day's	X
Dave Ruler	Helena	" " " "	X
Jim Schmidt	Helena	" " " "	X
Ray D. D. D.	Helena	" " " "	X
W. H. H. H.	Helena	" " " "	X
Mike D. D.	"	" " " "	X
James H. H.	Helena	Reynolds' Drug	X
Larry H. H.	Helena	Bergman's Drug	X
Sam H. H.	Helena	Bergman's Drug	X
Over H. H.	"	MEX	
Gary H. H.	Helena	H. H. H. H.	✓
Roder H. H.	Helena	H. H. H. H.	✓
Fred H. H.	Helena	Daniel H. H.	✓
Leo Casas	Mexico	Green City Floral	✓
Don L. Davis	Missoula	DON DAVIS H. H.	✓
R. Scott Sorenson	Missoula	Southgate Hall	✓
Clark Payer	HELENA	WANT. CHAMBER	✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE Taxation

COMMITTEE

BILL

SB 283

Date 4/10/81

SPONSOR

Elliott

NAME	RESIDENCE	REPRESENTING	SUPPORT
Verwoelf	Helena	City of Helena	
C. B. HANSEN	HELENA	MT Retail Assn	X
Gary Langley	HELENA	NAT. FED OF IND BUSINESS	X
Waymond A. Olson	Helena	O. P. I.	ca
Charles R. Brooks	B. H. inge	K. H. S. S.	✓
Charles H. Hoffman	Amesbury	OSCO DRUG	✓
Dorothy A. Basset	Butte	Fritz's Ski House	✓
Mark Brown	Amesbury	West Air Park	✓
Fritz G. Grogan	Butte	Fritz's Ski House	✓
Clark Pyke	Helena	Mont 'C of Comm	✓
Chris Ann Tolan	Helena	Mont Adm & Implication	✓
K. A. BLEVINS	MISSOULA	SIRCO MFG.	✓
Sherry Anderson	Helena	Mont Tax	✓
Dr. DeLongo	Helena	MBMDA	✓
Craig Anderson	Billings	Tractor & Equipment	✓
Frank J. Davis	Great Falls	MT M. Pharm Assoc	✓
F. H. BOLES	HELENA	MT. CHAMBER	✓
FRANK CAPPS	HELENA	MONTANA STATE FOOD DIST.	✓
Ch. Statten	Helena	Montana Union Retailers Assn	✓
Mike Wall	Helena	Power Division Co Albert Hall & Sons	
Shirley Olson	Helena	Shirley's	X
George E. Olson	Helena	The Green	X
Jefferson	Townsend	Insurance Agency	X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Translocation



S.B. ~~207~~ 203

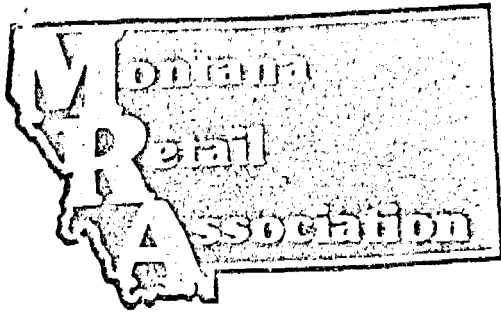
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECONDARY



Executive Office
P.O. Box 440
34 West Sixth
Helena, MT 596
Phone (406) 44

BEFORE THE HOUSE TAXATION COMMITTEE

IN SUPPORT OF

SENATE BILL No. 283

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, MY NAME IS CURTIS B. HANSEN. I AM THE EXECUTIVE VICE PRESIDENT OF THE MONTANA RETAIL ASSOCIATION.

YOU HAVE HEARD A LOT ALREADY ABOUT INVENTORY TAX AND YOU WILL BE HEARING A LOT MORE - SO I WILL KEEP MY COMMENTS SHORT AND SWEET.

- BUSINESS INVENTORY TAX IS UNFAIR AND INEQUITABLE -
IT IS DEPENDENT ON THE HONESTY OF CITIZEN REPORTING... THE INDIVIDUAL JUDGMENTS OF 56 COUNTY ASSESSORS... AND IS IMPOSSIBLE TO PROPERLY POLICE AND ENFORCE.

IT HAS NO CONSIDERATION OF "ABILITY TO PAY".
IRONICALLY, WHEN BUSINESS IS POOR BECAUSE OF ECONOMIC, CLIMATIC, OR OTHER UNFORSEEN EVENTS, THE BUSINESSMAN MUST PAY HIGHER INVENTORY TAXES WHEN HE IS LEAST ABLE TO PAY IT.

- IT PUTS MONTANA BUSINESSES AT AN UNFAIR DISADVANTAGE -
NONE OF OUR NEIGHBORING STATES HAVE AN INVENTORY TAX.
MANY PEOPLE GO TO SPOKANE, IDAHO FALLS, SALT LAKE CITY, OR BISMARCK, WHERE INVENTORIES ALLOW A BETTER SELECTION OF GOODS.

- THERE HAS LONG BEEN AN EXPRESSED INTENT TO ELIMINATE THIS TAX
FROM ENACTMENT AT FULL AND TRUE VALUE, THIS TAX HAS BEEN

CONTINUALLY REDUCED BY VARYING RATES, PERCENTAGES, LEVIES, AND LEGISLATIVE ACTIONS. ALL WITH THE INTENT OF REDUCING IT TO THE PLACE WHERE IT COULD BE ELIMINATED WITH OUT UNDUE SEVERE, IRREPARABLE HARM TO COUNTIES AND CITIES.

WE ARE AT THAT PLACE NOW!

- ELIMINATION OF THE INVENTORY TAX WILL STIMULATE BUSINESS-
REPEAL WILL SIGNAL NEW AND EXISTING BUSINESS THAT MONTANA UNDERSTANDS THEIR PROBLEMS. COMBINE EXPANSION OF EXISTING BUSINESS WITH NEW BUSINESS INFLUX AND THE RESULT IS A STIMULATED ECONOMY, EXPANDED TAX BASE AND THE "GOOD BUSINESS CLIMATE" FOR "DIVERSIFIED CLEAN INDUSTRY" YOU HAVE ALL TALKED ABOUT DURING THIS LEGISLATIVE SESSION.

IN THE LONG RUN, THE ELIMINATION OF INVENTORY TAX WILL NOT COST, IT WILL PAY !

ALL OF MONTANA WILL BENEFIT.

I URGE YOUR SUPPORT OF SENATE BILL 283 AND YOUR "DO PASS" RECOMMENDATION.

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name

Address

- (1) James J. Cullen 1098 Main St. New Milford, Conn.
- (2) Robert J. Evans Box 1st St. 12th St. New Milford
- (3) John J. Cullen Box 321 New Milford, Conn. 06455
- (4) James J. Cullen Box 321 New Milford, Conn. 06455
- (5) William S. Hoss Box 301 5th St. New Milford, Conn.
- (6) William A. Cullen Box 163 New Milford, Conn.
- (7) James J. Cullen Box 321 New Milford, Conn. 06455
- (8) Robert J. Cullen New Milford, Conn.
- (9) James J. Cullen New Milford, Conn.
- (10) James J. Cullen Box 321 New Milford, Conn.
- (11) James J. Cullen Box 321 New Milford, Conn.
- (12) James J. Cullen Box 321 New Milford, Conn.
- (13) James J. Cullen Box 321 New Milford, Conn.
- (14) James J. Cullen Box 321 New Milford, Conn.
- (15) James J. Cullen Box 321 New Milford, Conn.
- (16) James J. Cullen Box 321 New Milford, Conn.
- (17) James J. Cullen Box 321 New Milford, Conn.
- (18) James J. Cullen Box 321 New Milford, Conn.
- (19) James J. Cullen Box 321 New Milford, Conn.
- (20) James J. Cullen Box 321 New Milford, Conn.
- (21) James J. Cullen Box 321 New Milford, Conn.
- (22) James J. Cullen Box 321 New Milford, Conn.
- (23) James J. Cullen Box 321 New Milford, Conn.
- (24) James J. Cullen Box 321 New Milford, Conn.
- (25) James J. Cullen Box 321 New Milford, Conn.

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name

Address

- (1) ~~Robert C. Jensen~~ ~~Red Lion - Box 20~~ ~~Red Lion, MT~~
- (2) ~~Robert C. Jensen~~ ~~Box 1~~ ~~St. Libby, MT~~
- (3) ~~Robert C. Jensen~~ ~~Leah Valley~~ ~~Leah Valley, MT~~
- (4) ~~Robert C. Jensen~~ ~~Box 1~~ ~~Butter, MT~~
- (5) ~~Robert C. Jensen~~ ~~Box 1~~ ~~Butter, MT~~
- (6) ~~Robert C. Jensen~~ ~~1425 Minnesota Ave~~ ~~Billings, MT~~
- (7) ~~Robert C. Jensen~~ ~~22~~ ~~Billings, MT~~
- (8) ~~Robert C. Jensen~~ ~~405 116 Poplar St.~~ ~~Petersons Ready to~~
- (9) ~~Robert C. Jensen~~ ~~713 1/2 Ave SE~~ ~~Sidney, MT~~
- (10) ~~Robert C. Jensen~~ ~~Box 27~~ ~~Bozeman, Montana~~
- (11) ~~Robert C. Jensen~~ ~~Box 99~~ ~~East Butte~~
- (12) ~~Robert C. Jensen~~ ~~305 W. Center~~ ~~Bozeman, Montana~~
- (13) ~~Robert C. Jensen~~ ~~102 N. Central~~ ~~Yellowstone, Montana~~
- (14) ~~Robert C. Jensen~~ ~~Starft Box 0~~ ~~Bozeman, MT~~
- (15) ~~Robert C. Jensen~~ ~~Billings~~ ~~Billings, MT~~
- (16) ~~Robert C. Jensen~~ ~~904 Pritchard Ave~~ ~~Bozeman, MT~~
- (17) ~~Robert C. Jensen~~ ~~928 Broadwater~~ ~~Bozeman, MT~~
- (18) ~~Robert C. Jensen~~ ~~412 N. Cooke~~ ~~Bozeman, MT~~
- (19) ~~Robert C. Jensen~~ ~~204 Main~~ ~~Bozeman, MT~~
- (20) ~~Robert C. Jensen~~ ~~115 E. Main~~ ~~Bozeman, MT~~
- (21) ~~Robert C. Jensen~~ ~~132 Broadway~~ ~~Bozeman, MT~~
- (22) ~~Robert C. Jensen~~ ~~158 Main~~ ~~Shelby, MT~~
- (23) ~~Robert C. Jensen~~ ~~158 Main~~ ~~Shelby, MT~~
- (24) ~~Robert C. Jensen~~ ~~19 West Main~~ ~~Bozeman, MT~~
- (25) ~~Robert C. Jensen~~ ~~1701 30th St~~ ~~Bozeman, MT~~

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name

Address

- (1) Barclay Borden 4308 Stone Special Sigs Shop Bldg
- (2) David M. Bille 801 Box 278 Scobey Montana Bille's
- (3) Mark C. Diamond 11150 2nd St Livingston Mt. Casey Diamond
- (4) Phyllis Ginsberg 111 So 2nd St Livingston Mt Casey Diamond
- (5) James Don Schriener Box 340 Birch Mt. Jr. Dept. Sto
- (6) Emerson Seal 352 Clark Bldg The Spinnery
- (7) Lowell B. Beryl 308 Broadway Townsend Mont Berglund's Ac.
- (8) Ellen E. Rogers 104 N. Main Choteau Mont. Collins
- (9) James H. Rogers 104 N. Main Choteau Mont. Collins
- (10) James H. Rogers 104 N. Main Choteau Mont. Collins
- (11) Hunter E. Larson Gambler's Store 112 W. Main Bozeman MT 59201
- (12) Madeline Barjaez Progression The Allen Box 27 East Co
- (13) Robert T. Lewis Western Outdoor 48 Main Kalispell
- (14) Billy Hale 3-2 Western Outdoors 24 Center Libby
- (15) Mary E. Lewis Blue Fork Valley Three Forks MT
- (16) Robert E. Lewis Lewis's Hardware West, Vest Back, West
- (17) Gene B. Clark Cinderella Dyeing Shelby Mt
- (18) W. Darcy Laris' Shoppe 2518 2nd Ave N. Billings MT
- (19) Phil Murnin Elysia Stn Jordan Montana
- (20) Richard A. Graine Elise Dicton Mt 57115
- (21) James E. Boney Western (Litter) Montana MT 58
- (22) Robert D. Rogers Jasons Bldg Box
- (23) Linda Allen Shields Helena MT 38 N. H.
- (24) George Allen Shields 38 N. Main Helena
- (25) Alan Ford Box 426 Hamilton, MT 58

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

- | Name | Address | |
|-------------------------------|-------------------------------------|---------------|
| (1) Dorothy M. Blanc | 119 So. 2nd St. + The Fashion House | |
| (2) Lynn G. Quinn | 2020 9th St. Selling | 59 |
| (3) John Eagle | 3 Canyon - West Yellowstone, MT | 59725 |
| (4) John Eagle | " " | " " |
| (5) June Johnson | 1957 Harrison | West |
| (6) Art Stahly | 325 2nd St. Home Hardware | |
| (7) Linda & Bill Bryan | 229 Madison | Bryan |
| (8) Bill Peterson | 112 N Main | Peterson |
| (9) John Quinn | 524 W Main | Lawrence, MT |
| (10) John & Mary Quinn | Box 101 | Quinn |
| (11) Mary & John Quinn | Box 101 | Quinn |
| (12) Roger J. Quinn | 5440 Narden Place | Billings |
| (13) Melba Means | Yellowstone | Means |
| (14) John | 1000 S. 4th Main | Billings |
| (15) John | 1000 S. 4th Main | Billings |
| (16) John | 1000 S. 4th Main | Billings |
| (17) John | 1000 S. 4th Main | Billings |
| (18) John | 1000 S. 4th Main | Billings |
| (19) John | 1000 S. 4th Main | Billings |
| (20) John | 1000 S. 4th Main | Billings |
| (21) John | 1000 S. 4th Main | Billings |
| (22) Yellowstone Racquet Club | 3440 Riverside Rd | Billings 5910 |
| (23) John | 1000 S. 4th Main | Billings |
| (24) John | 1000 S. 4th Main | Billings |
| (25) John | 1000 S. 4th Main | Billings |

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name	Address	
(1) DuBoys	Buttrick's E.C. Bozeman MT	Boys Jackson
(2) Dale L. Linn	1957 Harrison Ave. B.T. Linn Johnson Shop	
(3) Clark Hoge	727 Main Fourth Mt. S. Linn	
(4) W. S. Keating	927 Main Fourth Mt. S. R. Linn	
(5) R. L. Linn	1-2nd Ave. F. P. Linn MT	A. Linn-Tinc
(6) William L. Linn	273 Central Ave. L. Linn, Mont.	The N. Linn
(7) Allen Linn	106 N. 4th Street City, Linn, Mont.	
(8) Shirley L. Linn	119 main Linn, Mont.	Linn Family L
(9) Linda M. Linn	Rt. 2 Box 9 Terry	Joyline Fashion
(10) Shirley Linn	Box 160 T-Shirt Shop	E. Linn
(11) Linn Linn	Box I DJS DEPT	Linn, MT
(12) Linn Linn	Box 7 Fort Peck MERS	Poplar, MT
(13) William L. Linn	Box 405 Belgrade Mont.	San Linn
(14) Linn Linn	Remick Hall, Convergence Center Belgrade MT	San Linn
(15) Linn Linn	131 E. Main Bozeman MT	McCracken
(16) Linn Linn	Box AF	Bridger Drug
(17) Linn Linn	ANNA BOLES SHOP 221 W. Main	Lewistown Mont 59457
(18) Linn Linn	62 E. C. Cutch Helena Mont 59601	
(19) Linn Linn	Box 1137 Fashion Island	Helena, MT
(20) Linn Linn	1108 Main E. Cargo Shirt Co.	Helena
(21) Linn Linn	104 S. main Glendive	Fashion Ad
(22) Linn Linn	2415 Main	Helena A+T Supp
(23) Linn Linn	120 E. MAIN	NEW IMPRESSIONS BOZ
(24) Linn Linn	Box 409	Helena Day & Night
(25) Linn Linn		

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name	Address	Location
(1) A. Githoff	520 East Main	Front
(2) Dale Sullivan	2756 Hickberry Dr	Brant Lake
(3) M. Vonnahme	1101 S. Fork	Trinity
(4) Jerry M. Chalkick	103 White Mt.	Outback
(5) William H. Lewis	808 Main	Mont. City
(6) Paula H. Hark	306 W. Main St.	Chilton, MT
(7) Billie Norgels	211 W. Main	Heavenly
(8) Phil Voss	4 W. Lawrence	Deer Creek
(9) R. W. Anderson	107 N. Merrill	Glendive
(10) Milo P. Huber	809 Main	Mont. City
(11) Mary Anderson	123 Prospect	Glendive
(12) Penet Hargis	Rimrock Mall	Billings, Mont.
(13) Leland Lard	122 MAIN ST.	SCOBY, MT-59203
(14) Andy Westworth	Westworth	Valley, Chas, Cutler
(15) Don Westworth	Westworth	Valley, Chas, Cutler
(16) Mary Marshall	3 N. Broadway	Red Lodge, Mont.
(17) Edgar Pennington	315 1/2 S. D. Bldg 520	Chas. Mt. 59523
(18) L. H. Hargis	Monarchs	Bigs Mt 591
(19) Leland Reiter	Reiter, Maine	Bigs Mt 591
(20) Leland Reiter	11	11
(21) Leland Reiter	2825 W. Main	Empire Bozeman
(22) Leland Reiter	FLASH'S GIFT SHOP	RED LODGE
(23) Leland Reiter	Trampers Shopping Center	Missoula, MT
(24) Leland Reiter	Dr. Smith's Store	Libby
(25) Leland Reiter	2122 Vermillion	Al's Country West

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name	Address	
(1) Cuthbertsen	Box 28 Three Forks, MT	Three Forks Saddlery
(2) Margaret McIntosh	Box 610 Red Lodge Mt	The Village Shoppe
(3) Lorraine Currier	810 S. Washington	Elmer's Dells
(4) Janet Larson	30 1st ^{cut bank Rd.} E. Red. S.E.	Larson's Mens Wear
(5) Ruth Kesch	216 Main, Shelby, MT	Cinderella Shoppe
(6) Mike Drazan	PO Box 270	Elmer's Dells
(7) Anne Brekke	104 East First Ave. ^{Frontyard} Butte	The In Step
(8) Ring E. Norman	N.U.S.C. ^{Norman's Ranch} Cut Bank MT.	
(9) Dennis T. Norman	2407 Hamilton	Butte, MT.
(10) John (D) Smith	342 S. Redwood	Butte, MT
(11) John A. Smith	803 Third St.	Butte, MT
(12) Barbara Kelson	PO Box 1137	Clark Fork, MT
(13) John (D) Smith	124 S. 3rd St.	Missoula, MT
(14) Paul A. Smith	Box 7	Superior, MT
(15) John (D) Smith	Box 7	Superior, MT
(16) John (D) Smith	Box 7	Superior, MT
(17) John (D) Smith	Box 7	Superior, MT
(18) John (D) Smith	Box 7	Superior, MT
(19) Elsie Strizek	611 Central Great Falls	Infant's
(20) Darrell Marchese	215 4th St. So. Glasgow	D & G Sports and
(21) Myrna Landlough	215 4th St. So. Glasgow	MT
(22) John (D) Smith	Box 7	Superior, MT
(23) John (D) Smith	Box 7	Superior, MT
(24) Bob Smith	120 North Main	Butte
(25) John (D) Smith	120 2nd Ave. So	Lewistown MT. Don

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name

Address

- (1) Ray ERICKSON 18 E. MAIN THE STYLON (Stylon)
- (2) VERN ERICKSON 663 N. Juniper Bay 59933 MI 59933
- (3) The Griftler 106 and 2 Berne Place Tac
- (4) Fred B. B. 1506 Grand St. H. Benton Mon
- (5) Fred's Foggery - Melba L. B. Fort Benton MO
- (6) Bill H. 591 Prairie Ave. Helena MT
- (7)
- (8) Carson Nelson Billings, MT
- (9) B. Kelly Frank Adams W. Yellowstone, M
- (10) 411 Main Ave. Jody "Billie's"
- (11) 115 E. First St. Helena, MT
- (12) 1600 E. Main Helena, MT
- (13) 114 C Ave SE Hardening, MT 59002
- (14) 1951 Grand St. Billie, MT
- (15) 1014 1/2 Ave. B. Helena, MT
- (16) Dan's Best Dan's Lake Hill Big Rock
- (17) 117 W. Main Car-rentable Holiday Village. Havre
- (18) 114 W. Calhoun Potomac, Livingston
- (19) 117 W. Calhoun " "
- (20) 529 S. 1st St. Helena, MT
- (21) 740 & 544 First Truck Stop. Helena, MT
- (22) Steve Schae 411 W. Mendota Hill Bldg. Schneest
- (23) Stan Schae 411 W. Mendota Hill Bldg. Schneest
- (24) 1422 W. Main Bigman, Rose
- (25) 1422 W. Main Bigman, Rose

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

- | Name | Address | City |
|---------------------------------|-----------------------|-----------------|
| (1) Lenna Overland | 103N Broadway | Blg, MT |
| (2) Roger Thomas (3 stores) | 822 N. Main | Bozeman MT 5 |
| (3) KIRKATTS WESTERN 2-STORYS | 3100 HARRISON | BLTTC, |
| (4) Karla West | 307 Main | Helena |
| (5) C. W. Waters | Waters Store Box 190 | Red Lc |
| (6) Dennis Oshlender | 2312 Hwy Lane | Billings |
| (7) Annie Larsen | 702 First St N | Roundup |
| (8) K. Wiederrick | WIEDEERICK'S CLOTHING | MALTA, MT |
| (9) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (10) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (11) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (12) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (13) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (14) David W. J. Bland | 415 W 5th St | Whitefish, MT-5 |
| (15) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (16) Jerry Thomas | Thomas' Linc | Butte, Montana |
| (17) Penny Bertha | 7621 King Ave W. | Billings Mon |
| (18) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (19) Sharon Lewis | RL 3 | Billings M |
| (20) Jamie Haggitt | 2036 Oodroom | Blg MT |
| (21) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (22) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (23) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (24) ~~Harold Campbell~~ | Columbus Ranch Supply | Box 513 Col |
| (25) Eldon F. Kemmis | The Toggery | Sidney, Mon |

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name	Address	City
(1) Francis N. Weidmann	Weidmann's Clothing	Boz 431
(2) R. L. Bauman	110 E. Callender	Livingston, Mont.
(3) Arthur Bauman	110 E. Callender	Livingston, Mont.
(4) Eugene Bauman	110 E. Callender	Livingston, Mont.
(5) John W. Owen	Drawer D	St. Ignace, Mt S.
(6) Anna J. Poirer	1211 E. 90th St.	Deer Lodge
(7) Robert Hallenbeck	142 E. 1st St.	Deer Lodge, Mont.
(8) Frank C. Pierce	" "	Deer Lodge, Mont.
(9) " "	Box 509	Deer Lodge, Mont. 59070
(10) " "	2729 N. 1st St.	Billings, MT 59101
(11) " "	222 N. 1st St. E. 1st	Billings, Mont.
(12) Carolyn Rice	644 Sunnyside	Plentywood, Mont.
(13) Donald E. Rice	Box 280	Lewistown, Mont.
(14) Gertrude E. Hau-Louis	Box 780	Lewistown, Mont.
(15) Hazel B. Sorenson	418 Glendale Box 628	Dillon, Mont.
(16) " "	Box 459	Whitehall, Mont.
(17) Robert L. Armstrong	Box 1089	Chinook, Mont. 59011
(18) " "	Box 1089	Chinook, Mont. 59011
(19) " "	Box 1089	Chinook, Mont. 59011
(20) " "	Box 1089	Chinook, Mont. 59011
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(27) " "	Box 1089	Chinook, Mont. 59011
(28) " "	Box 1089	Chinook, Mont. 59011
(29) " "	Box 1089	Chinook, Mont. 59011
(30) " "	Box 1089	Chinook, Mont. 59011

Name

Address

(1) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(2) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(3) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(4) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(5) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(6) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(7) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(8) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(9) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(10) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(11) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

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(13) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

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(22) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(23) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(24) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

(25) *Walters, Robert* 1632 So. Lincoln Ave. Balling, MT

PETITION FOR THE PASSAGE OF SB283 INVENTORY TAX EXEMPTION FOR BUSINESSES

Name

Address

(1) Ernest A. Lister 40 E. Main - White Sulphur Springs

(2) Lawrence B. 34 - Hamilton and Ray - Lottsville

(3) _____

(4) _____

(5) _____

(6) _____

(7) _____

(8) _____

(9) _____

(10) _____

(11) _____

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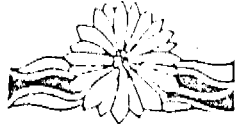
(23) _____

(24) _____

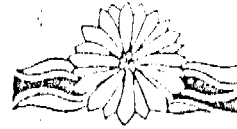
(25) _____

BITTERROOT VALLEY CHAMBER OF COMMERCE

105 E. MAIN ST.



HAMILTON, MT. 59840



[406] 363-2400

February 6, 1981

TO: The Senate Taxation Committee

FROM: Retail Businesspersons in the Hamilton Area

REGARDING: Senate Bill 283

We the undersigned, do hereby encourage the passage of Senate Bill 283 which would eliminate the inventory tax. With the present economic climate in the Bitterroot Valley, the passage of this bill would greatly assist the small business community, and thereby stimulate the entire economy of this Valley.

Thank you for your consideration.

Sincerely,

NAME

BUSINESS

ADDRESS

Shirley E. Pauling	Landman OK Hardware	248 W. Main
Don R. Pauling	Paterson's	108 W. Main
Rebecca M. Pauling	Natural Beauty Shop	138 Main St.
R. C. Johnson	Bitterroot Sp. Goods	130 Main St.
Don R. Pauling	Anthony's	201 W. Main
David R. Pauling	Spruce Reitz	201 South 2 nd
Victor C. Pauling	Ben's Hardware	208 Main
Paul R. Pauling	Paper	228 Main
Don R. Pauling	Don's	228 Main
Don R. Pauling	Landman OK Hardware	249 W. Main
Shirley E. Pauling	Natural Beauty Shop	213 Main
Paul R. Pauling	Paul's	110 Main St.
Carl R. Pauling	Don's	501 S. 1 st
Paul R. Pauling	Paul's	404 S. 1 st
Paul R. Pauling	The Her. Pet	221 S. 1 st St.

Jack O'Spence Country Store 214 N 1st St
Carol Wilson - Joe & Carol's Eatery 207 So. 1st
Joseph Wilson 11 " 14 " 11 Hamilton

Eileen Spenneth Spenneth's Arctic Center 616 Point Hamilton

Ed Spenneth " " " " " " " " " " " "

Susan Weissfeld Nature Walk 205 1st St. Hamilton

Hellen D. Dummer Simply Elegant Diner 113 Hymery 93

Ann Beysen Beysen Catering 113 Hymery 93

Jan Palanuk Simply Elegant 113 Hymery 93

Ray Murphy McFarlane's (C. Lie) 11 1/2 So. 1st Hamilton

Bro. Laminche Range Cafe 133 Main St. Hamilton

Alvin Clark Clark's Kitchen Layer 1st Bldg. Hamilton

Bob Lamine Range Cafe 133 Main St. Hamilton

John Dunning Dunning's Pharmacy 1st Bldg. Hamilton

Frank & David Frank's Shop 203 N. Main Hamilton

Rich E. Maltson Frank's Shop 203 N. Main Hamilton

Angie A. Brown - Different Day 214 Main Hamilton

Jon & Janna Robbins Bookstore 215-219 Main Hamilton

Michael M. Laggain The Boxes Shoppe P.O. Box 979 Hamilton

Michael M. Laggain General Supplies Co. Box 1242 Hamilton

Alvin B. Smith Beron's Jewelry Box 431 Hamilton

Louise E. Smith " " " " " "

Robert C. Miller " " " " " "

Robert C. Miller " " " " " "

Robert C. Miller " " " " " "

Missoula, Montana
February 6, 1981

Senate Taxation Committee
State Capitol Building
Helena, MT 59601

We the undersigned would ask that you please support Senate Bill #283 eliminating "Business Inventories" from taxation.

As a business person I think this tax is both unfair and difficult to deal with.

We need your support.

<u>NAME</u>	<u>BUSINESS</u>	<u>BUSINESS ADDRESS</u>
Joe Corne	Rafferty's Candies	Southgate Mall
John DeJure	Universal Athletics	Southgate Mall
David Simon	Ed N. Bros	Southgate Mall
Kelcie Christie	Jenny's	Southgate Mall
Jackie Larson	Jay Groves	Southgate Mall
Art Danile	Ballentemp's	Southgate Mall
Jan Sherwood	Maurices	Southgate Mall
Dee Bennett	Anita's	Southgate Mall
Leslie Simmons	Craft Creations	Southgate Mall
Bonny Mout	FOXMOOR	Southgate Mall
Art	Kinnery/Shop	Southgate Mall
Paul	HOUSE OF FABRICS	SOUTHGATE MALL
Lynnette Shields	Bridalons Tailor	Southgate Mall
Mike	The Hobbie Shoppe	Southgate Mall
Greg M. Bartlett	Hatch's	Southgate Mall
Henry West	Bakers	Southgate Mall

NAME

BUSINESS

BUSINESS ADDRESS

(11) (10)

Pine-Away Service

Sofea Kaires

The Altogether Southgate Ma

John Emerald

Spencer Gifts Southgate Ma

George E. Kareson

Thom Man Kareson Southgate Ma

Richard Elliott

Smith King Cotton " "

Sam S. John

Schuback Sailer " "

Robert K. D. Moore

Slice-A-Pizza " "

Nancy L. Leonard

Lucky Drops Ma Southgate Ma

Sandy Dilli

The Wardrobe " "

John S. Jones

Mr. Mark Southgate Ma

Lenny F. F. F. F.

Lerner Shop " "

Jan Winters

Clowntown

S. J. K.

S. J. K. S. J. K. S. J. K.

S. J. K.

MAGNAN Jewellers SOUTHGATE

4-6-81

TO: HOUSE TAXATION COMMITTEE

FROM: BUSINESS OF GLENDIVE, MONTANA

The undersigned support SB283 for the repeal of the Business Inventory Tax.

NAME:

BUSINESS ADDRESS:

<i>[Signature]</i>	FASHION ISLAND & DOW'S SALES	GLENDIVE, MT
Verny Riggs	Riggs Camera & Gift	✓
Kerry Good	Medland Inc	—
Ray Messner	J. C. Penney (Retired)	
Charles Hauler	Revenue Protection	Glendive, MT
Neil E. Oakland	Farmers Ins Group	Glendive
Robert Turner	Gate City Dairy	11
Stan Neal	Yellowstone	
Walter M. Schuck	Glendive	
IRVING S. ETC	GLENDIVE	JORDAN NAW
Harsh M.	Glendive	Goodies Sport
Frank Hut	Glendive	Old West Art
G. W. Scherger	Glendive	The Beer Jug
W. P. Sullivan	Glendive	Precision Electric
Jim Thompson	Glendive	Shannon Station
Edward L. Erickson	Glendive	Brenner Drug In
Alvin W. Linker	Glendive	Glendive Place
John E. Smith	Glendive	Quick Const.
Henry B. Norman	Glendive	Gate City Rec. & C.
H. H. Helyer	Glendive	Helyer Over-Car
Wm. D. St. John	Glendive	Boys Office Prod
Walter D. Smith	"	Franklin's Inc
Joe F. Lister	Glendive	Ponderosa
W. W. J. Kistner	107 W. Bell	Glendive MT Kistner
Edward H. Kistner	107 W. Bell	Glendive MT Kistner

(over)

4-6-81

TO: HOUSE TAXATION COMMITTEE

FROM: BUSINESS OF GLENDIVE, MONTANA

The undersigned support SB263 for the repeal of the Business Inventory Tax.

NAME:

BUSINESS ADDRESS:

Richard W. Klatok	6 Lincoln Ave	Klatok Jewelers
R. W. Klatok	Lincoln Ave	Klatok Jewelers
Dani Driakova	1105 Merrill	Theresa O Day
Charles A Hunter	112 S. Merrill Ave	Post-Post Store
Mathew K. Klatok	118 S. Merrill	B. J. Mon.
Larry D. Nelson	113 S. Merrill	White Dragon
A. Klatok	101 S. Merrill	Viking Police Center
Larry H. Hargrave	105 N. Merrill	Hargrave Hardware
R. W. Klatok	107 N. Merrill	Klatok Jewelers
Mark J. Klatok	119 N. Merrill	Klatok Jewelers
G. S. Hargrave	135 Merrill	Hargrave Hardware
Frank D. Hargrave	126 N. Merrill	Hargrave Hardware & TV

"Something New Every Day"

Coles
Department Store

BILLINGS, MONTANA

59103

February 9, 1981

Testimony in support of Senate Bill 283
"Elimination of Business Inventory from Taxation"

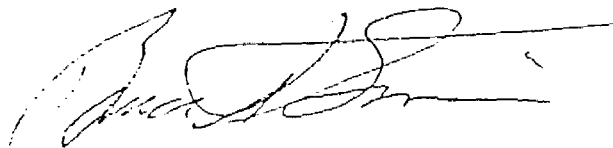
My name is Bruce Simon, my brother and I are owners of Coles Department Store a Montana based independant retail store from Billings.

I am here today in support of Senate Bill 283 to eliminate business inventory. This is a step which is long over due. The inventory tax has placed an unfair burden on businesses thru out Montana and provides an unfair competitive advantage for firms which keep their inventories out of the state while doing business in Montana. This tax is unfair in that businesses are required to pay on inventory which may or may not be sold at a profit.

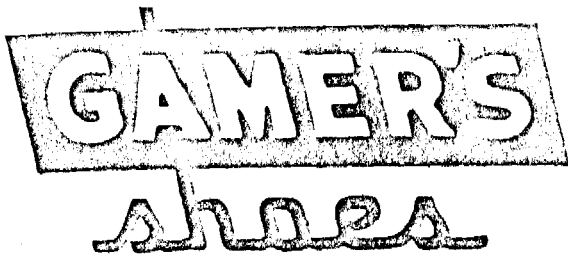
I have been pleased to note general agreement on both sides of the aisle over the past two or three years which indicate to me a growing realization that this tax should be repealed as a necessary step to improve the general business climate in Montana.

I hope that the committee will join in this effort to repeal this tax that has long outlived its usefulness.

Thank you for the opportunity of appearing and allowing me to testify.



Bruce T. Simon
Vice-President
Coles Department Store



And Associates

GAMER SHOE CO.

Main Office, Capital Hill Center
P. O. Box 818
Helena, Montana 59601
(406) 442-0777

GAMER STORES

Helena • Butte
Missoula • Kalispell

CARLSON STORES

Great Falls • Havre

GARBER STORES

Nampa • Boise
Pocatello • Idaho Falls
Twin Falls

KENKEL SHOES

Great Falls

THE SHOE BOX

Spokane

NATURALIZER SHOPS

Missoula • Nampa

GAMER DISTRIBUTION WAREHOUSE

Helena

Dear Representative,

As we are all aware, Business Inventory Taxation is not a fair and equitable tax !

Just because we STOCK MERCHANDISE for the benefit of the consumer, we are penalized while our direct competition (The Catalogue Stores) do not have to pay any Inventory Tax.

Montana can't afford to lose any more businesses like we have in the past when General Motors, John Deere and General Electric, moved their warehousing facilities out of Montana, to Nevada or Washington, where there is no Inventory Tax.

We do business in three states. We can, very clearly, see the disadvantages to the merchant and customer through an easy comparison of our own stores based on differing business tactics and decisions because of the consequence of having to contend with Business Inventory Taxation.

Business Inventory Taxation is detrimental to all Montanans regardless of whether they buy or sell.

SENATE BILL # 283 SHOULD BE PASSED, so we can be progressive and better serve all interests.

PLEASE SUPPORT SENATE BILL #283

LOREN MILLS

Taxation 4/10/81
EXHIBIT "B"

CONRAD F. LUNDGREN
CHAIRMAN, BOARD OF DIRECTORS
S. KEITH ANDERSON, PRESIDENT

MONTANA TAXPAYERS ASSOCIATION



P.O. BOX 4909

1706 NINTH AVE

HELENA, MONTANA 59604

406 442-2130

APRIL 10, 1981

S. KEITH ANDERSON, PRESIDENT
MONTANA TAXPAYERS ASSOCIATION
IN SUPPORT OF SENATE BILL 283

THE INEQUITIES OF THE PROPERTY TAX ON BUSINESS INVENTORY HAS LONG BEEN RECOGNIZED BY THE BUSINESS COMMUNITY AND BY LEGISLATURES THROUGHOUT THE COUNTRY. FOR EXAMPLE 36 STATES AND THE DISTRICT OF COLUMBIA HAVE ALREADY ELIMINATED OR ARE PHASING OUT PROPERTY TAXES ON BUSINESS INVENTORY.

THE ECONOMICS OF THE TAX PROVIDE AMPLE REASON TO ELIMINATE THE LEVY. THERE IS NO UNIFORM ECONOMIC IMPACT OF A TAX ON INVENTORY FROM BUSINESS TO BUSINESS. PROFIT MARGINS VARY AND MERCHANDISE TURNS OVER AT A DIFFERENT RATE FROM BUSINESS TO BUSINESS. LIKEWISE MERCHANDISING PRACTICES VARY UP AND DOWN THE STREET OFTEN DICTATED BY THE IMPACT OF THE TAX ITSELF. THE TAX FORCES THOSE IN BUSINESS TO MAKE DECISIONS BASED UPON THE ECONOMIC IMPACT OF A TAX RATHER THAN WHAT MIGHT BE GOOD MERCHANDISING OR BUSINESS PRACTICE.

THE ADJUSTMENT OF THE PROPERTY TAX BASE BECAUSE OF ECONOMIC RATIONALE AMOUNTS TO TAX REFORM. A SMALL MEASURE OF TAX REFORM WAS ACHIEVED WHEN THE MONTANA LEGISLATURE ELIMINATED HOUSEHOLD GOODS AND SOLVENT CREDITS FROM TAXATION. BOTH TAXES WERE MUCH LIKE THE INVENTORY TAX. THEY WERE NOT EASILY IDENTIFIED BY LOCAL GOVERNMENTS, THEY WERE NOT EASILY ASSESSED, THEY LACKED ECONOMIC UNIFORMITY AND REALLY DIDN'T AMOUNT TO AN IMPORTANT PERCENTAGE IN THE OVERALL LOCAL GOVERNMENT FINANCING PICTURE.

SENATE BILL 283 AGAIN AMOUNTS TO A SMALL MEASURE OF PROPERTY TAX REFORM.

ACCORDING TO THE DEPARTMENT OF REVENUE TOTAL BUSINESS INVENTORY AMOUNTS TO SOME \$33 MILLION DOLLARS OF TAXABLE VALUE AND CONVERTED TO PROPERTY TAXES THE AMOUNT IS ESTIMATED TO BE \$7.3 MILLION ON A STATE WIDE BASIS. THIS AMOUNTS TO ABOUT 1.7 PERCENT OF THE TAXABLE VALUATION OF THE STATE. IT LIKewise AMOUNTS TO 1.7 PERCENT OF THE PROPERTY TAXES LEVIED FOR FISCAL 1981. I CALL TO YOUR ATTENTION THAT WHILE INVENTORY EQUALED 1.7 PERCENT OR \$33 MILLION OF THE VALUATION OF THE STATE FOR 1981 THE VALUATION OF ALL PROPERTY INCREASED \$223.1 MILLION FOR THIS FISCAL YEAR. HAD INVENTORY BEEN ELIMINATED FOR THIS YEAR THE TAXABLE VALUATION OF THE STATE WOULD STILL HAVE INCREASED BY \$190 MILLION DOLLARS.

MONTANA'S PROPERTY TAX STRUCTURE HAS HAD A STEADY GROWTH FROM YEAR TO YEAR. IT IS ANTICIPATED THAT THE VALUATION OF THE STATE WILL INCREASE BY AT LEAST 10 PERCENT FOR FISCAL 1982. THIS MEANS THAT IF BUSINESS INVENTORY WAS ELIMINATED FROM THE TAX STRUCTURE THERE STILL WOULD BE \$151.5 MILLION IN GROWTH FOR THE YEAR. LIKewise AS PROPERTY IS REAPPRAISED BY THE DEPARTMENT OF REVENUE WE CAN EXPECT AN EVEN MORE RAPID INCREASE TO THE POINT WHERE THE FACTOR TO DETERMINE TAXABLE VALUE OF COMMERCIAL AND RESIDENTIAL PROPERTY WILL AGAIN HAVE TO BE REVIEWED BY THE LEGISLATURE AS IT WAS IN 1977 AND 1979. THE ARGUMENT THAT SUCH REFORMS AS SENATE BILL 283 WILL SOMEHOW HARM THE TAX STRUCTURE AND LOCAL GOVERNMENTS COMPLETELY IGNORES THE INCREASING TAXABLE VALUATION OF THE STATE EACH YEAR FROM THE REAPPRAISAL PROCESS, THE ADDITION OF NEW PROPERTY AND INFLATION.

IN FACT IN LISTENING TO THESE ARGUMENTS YOU WOULD THINK THAT THE ONLY SOURCE OF REVENUE FOR MUNICIPALITIES AND COUNTIES IS THE PROPERTY TAX. A REPRESENTATIVE OF THE CITY OF GREAT FALLS TESTIFIED BEFORE THIS COMMITTEE THAT FOR 1980-81 ONLY 25 PERCENT OF ALL REVENUE FOR THAT MUNICIPALITY CAME FROM THE PROPERTY TAX. A RECENT STUDY BY THE MONTANA TAXPAYERS ASSOCIATION SHOWS THAT ONLY 35 PERCENT OF ALL COUNTY REVENUE COMES FROM THE PROPERTY TAX SO IN REALITY WE ARE DISCUSSING THE AFFECT OF INVENTORY UPON APPROXIMATELY 1/3 OF COUNTY BUDGETS AND 1/4 OF MUNICIPAL BUDGETS.

THE ARGUMENT OF REPLACEMENT REVENUE IS ALWAYS ADVANCED WHEN ANY ATTEMPT IS MADE TO BRING ABOUT TAX REFORM IN THIS STATE. YOU CAN'T MAINTAIN THE STATUS QUO AND HAVE TAX REFORM. IN FACT, IF THE TAX ON INVENTORY IS UNFAIR, EXCESSIVE AND LACKS EQUITY THEN IT HAS BEEN A WINDFALL SOURCE OF REVENUE FOR LOCAL GOVERNMENTS OVER THE YEARS.

WHAT WILL HAPPEN IF THE INVENTORY VALUATION IS TAKEN OFF THE BOOKS? REALLY NOT MUCH. PROPERTY VALUATIONS, EXCEPT IN EXTREME CASES WHERE THERE MIGHT BE ECONOMIC ADVERSITY FOR SOME REASON OR OTHER, WILL CONTINUE TO INCREASE AS FOR 1981 AND PREVIOUS YEARS. LOCAL BUDGETS WILL BE ADOPTED AND IF SPENDING IS NOT MATERIALLY INCREASED THERE WILL BE LITTLE CHANGE IN MILL LEVIES. IF THERE IS A SLIGHT TAX SHIFT THROUGH AN INCREASED MILL LEVY, OR CHANGES IN PROPERTY VALUATIONS, THOSE IN BUSINESS WITH INVENTORIES, WILL PICK UP PART OF THE DIFFERENCE ON OTHER PROPERTY--THEIR LAND, THEIR BUILDINGS AND THE LIKE. SO IN THE LONG RUN THOSE BUSINESSES PAYING THE INVENTORY TAXES TODAY WILL CONTINUE TO ASSUME A PART OF THAT TAX BURDEN ON OTHER PROPERTY BUT IN A SIMPLER AND MORE UNIFORM FASHION WITHOUT THE ADVERSE ECONOMIC IMPACTS OF THE PRESENT LAW.

WHAT WE ARE REALLY TALKING ABOUT WITH THIS LEGISLATION IS TAX REFORM AND AN ATTEMPT TO ELIMINATE THE ADVERSE ECONOMIC AFFECTS UPON BUSINESS OF THE INVENTORY TAX. NEITHER WILL BE ACHIEVED IF WE ATTEMPT TO MAINTAIN THE STATUS QUO. WE WILL SIMPLY CONTINUE THE INEQUITIES PRESENT IN OUR CURRENT PROPERTY TAX STRUCTURE WITH THE ONLY RATIONALE BEING THAT WE MUST GENERATE REVENUE FOR GOVERNMENT REGARDLESS OF THE ECONOMIC IMPACT UPON BUSINESS.

I ENCOURAGE YOUR PASSAGE OF SENATE BILL 283 AS ONE STEP TOWARD TAX REFORM AND TAX EQUITY FOR THE BUSINESS COMMUNITY IN OUR STATE.



Executive Office
P.O. Box 440
34 West Sixth
Helena, MT 59602
Phone (406) 442-

SENATE BILL NO. 283

MR. CHAIRMAN, REPRESENTATIVE NORDTVEDT, MEMBERS OF THE HOUSE TAXATION COMMITTEE: I AM A.G. "SLIM" SLATTERY, REGISTERED LOBBYIST FOR THE MONTANA RETAIL ASSOCIATION, FORMER CHIEF OF THE PERSONAL PROPERTY BUREAU OF THE DEPARTMENT OF REVENUE, PAST PRESIDENT OF THE MONTANA COUNTY ASSESSORS ASSOCIATION, AND COUNTY ASSESSOR OF BIG HORN COUNTY FOR NINE YEARS.

I AM HERE TO SUPPORT SENATE BILL NO. 283, IN BEHALF OF THE MONTANA RETAIL ASSOCIATION, A STATE-WIDE ORGANIZATION OF MORE THAN 400 MEMBER FIRMS AND THEIR EMPLOYEES IN THE STATE OF MONTANA.

FROM THE INCEPTION OF THE 1889 CONSTITUTION OF THE STATE OF MONTANA, TAXATION AT FULL AND TRUE VALUE ON BUSINESS INVENTORIES HAS DEPENDED ON VARIOUS RATES, PERCENTAGES, LEVIES, ETC. PLUS THE INDIVIDUAL JUDGEMENTAL DECISIONS MADE IN THE FIELD BY THE ASSESSORS.

I WAS ELECTED BIG HORN COUNTY ASSESSOR IN 1964 AND HAVE WORKED IN THAT AREA OF PROPERTY TAXATION UNTIL MY RECENT RETIREMENT AS CHIEF OF THE PERSONAL PROPERTY TAX DIVISION OF THE STATE OF MONTANA. I HAVE SEEN AND BEEN A PART OF THESE INHERENT INEQUITIES FOR OVER 16 YEARS.

THERE HAVE BEEN MANY FEDERAL, STATE, LEGISLATIVE AND COMBINATIONS OF FEDERAL, STATE AND LEGISLATIVE COMMITTEES THROUGHOUT THESE YEARS WHICH HAVE INDICATED AN INTENTION AND DESIRE TO REDUCE BUSINESS INVENTORY TAXATION TO A POINT WHERE IT CAN BE ELIMINATED ONCE AND FOR ALL WITHOUT SEVERE ECONOMIC IMPACT. LEGISLATIVE ACTIONS HAVE REFLECTED THIS INTENT. WE ARE NOW AT THE PLACE WHERE ELIMINATION IS THE NEXT AND ONLY LOGICAL STEP.

I WOULD LIKE TO GO BACK TO A REPORT OF A STAFF STUDY, NO. 85-169, PREPARED IN 1969-70, MADE AT THE REQUEST OF THE U.S. SENATE SUBCOMMITTEE ON THE

INTER-GOVERNMENTAL RELATIONS RELATING TO THE ASSESSMENT PROCESS OF REAL AND PERSONAL PROPERTY IN MONTANA IN COOPERATION WITH THE MONTANA DEPARTMENT OF REVENUE, UNIVERSITY OF MONTANA, BUREAU OF BUSINESS AND ECONOMIC RESEARCH, AND OTHER STATISTICAL REPORTING AGENCIES.

THE LATE SENATOR LEE METCALF CHAIRED A DAY-LONG MEETING IN BILLINGS, ON AUGUST 22, 1972, ON THE STAFF STUDY. THIS STUDY EXPRESSED THEIR DISCONTENT AT THE ARBITRARINESS OF THE PERSONAL PROPERTY ASSESSMENT. THE CONSENSUS OF OPINION OF THE MEMBERS TESTIFYING AT THIS MEETING WAS THAT THE ELIMINATION OF BUSINESS INVENTORY TAX WOULD BE ADVANTAGEIOUS TO ALL CONCERNED.

FROM INTERVIEWING VARIOUS MERCHANTS AND TAXPAYERS THROUGHOUT THE STATE, I SET FORTH SOME OF THEIR VIEWS, WITH WHICH I CONCUR:

1.
THE BUSINESS INVENTORY TAX DISCRIMINATES IRRATIONALLY AND DOES NOT AFFECT ALL BUSINESSES IN A FAIR AND EQUAL MANNER.
2.
CERTAIN SEASONAL BUSINESSES, SUCH AS WINTER SPORTS MERCHANTS, FARM MACHINERY DEALERS AND OTHER SEASONAL MERCHANTS WHO MUST HAVE LARGE STOCKS OF GOODS AND WARES ON ASSESSMENT DATE, TO MEET THE FUTURE NEEDS OF THE COMMUNITY ARE NOT TREATED FAIRLY.
3.
MERCHANTS OFTEN FIND IT ECONOMICAL TO REDUCE INVENTORIES BY HAVING CRASH SALES, THUS REDUCING THE SELECTION OF NEW ITEMS ORDINARILY AVAILABLE TO THE CONSUMER RATHER THAN PAY THE TAX ON A LARGER INVENTORY.
4.
THE INVENTORY TAX CAUSES UNFAIR COMPETITION AGAINST THE BUSINESS PERSON WHO IS WILLING TO INVEST IN A GOOD INVENTORY TO BETTER SERVE THEIR COMMUNITY, WHILE LARGE CATALOGUE COMPANIES HAVE CATALOGUE STORES WITH VERY FEW DISPLAY ITEMS, WHICH THEY SELL BEFORE INVENTORY TAX TIME, AND PAY NO INVENTORY TAX, AND THE CATALOGUE COMPANIES DO A VERY LARGE VOLUME OF BUSINESS IN MONTANA. THEY DO NOT HAVE CATALOGUE SUPPLY WAREHOUSES IN MONTANA BECAUSE OF THE INVENTORY TAX.

5.
THE INVENTORY TAX ADVERSELY AFFECTS THE BUSINESS CLIMATE OF THE MONTANA RETAIL MERCHANTS AS COMPARED TO ITS NEIGHBORING STATES - IDAHO, WYOMING, NORTH AND SOUTH DAKOTA - WHICH ARE BUSINESS INVENTORY TAX EXEMPT STATES, AND CREATES A VERY HIGH COMPETITIVE BUSINESS ATMOSPHERE FOR THE MONTANA RETAIL MERCHANT WHO IS REQUIRED TO PAY AN INVENTORY TAX. OVER THIRTY STATES AND THE DISTRICT OF COLUMBIA ARE BUSINESS INVENTORY TAX EXEMPT. IDAHO, WASHINGTON, OREGON, NEVADA, UTAH, WYOMING, COLORADO, NEBRASKA, NORTH AND SOUTH DAKOTA AND MINNESOTA ARE ALL BUSINESS INVENTORY TAX EXEMPT STATES. AS YOU CAN SEE, MONTANA RETAIL MERCHANTS ARE AT A PRICE DISADVANTAGE WITH NEIGHBORING STATES.

6.
MANUFACTURERS, WHOLESALERS AND DISTRIBUTORS LOSE BUSINESS BECAUSE THEY CANNOT PRICE COMPETE WITH THEIR COUNTERPARTS IN STATES WHO DO NOT HAVE INVENTORY TAX. ALSO, MANUFACTURERS, WHOLESALERS, DISTRIBUTORS ARE DISCOURAGED FROM LOCATING IN, OR EXPANDING THEIR OPERATIONS IN MONTANA BECAUSE OF THE INVENTORY TAX. MANY OF THE ABOVE HAVE CATALOGUE STORES OR RESIDENT SALES PERSONS IN MONTANA AND PAY NO INVENTORY TAX.

7.
THE STORES ON THE INDIAN RESERVATION, OWNED BY ENROLLED TRIBAL MEMBERS, ARE EXEMPT FROM INVENTORY TAXATION, WHICH IS A PRICE DISADVANTAGE TO A NON-TRIBAL MERCHANT WHO IS SUBJECT TO INVENTORY TAX AND OPERATING A STORE ON THE RESERVATION. THERE ARE SEVEN INDIAN RESERVATIONS IN THE STATE OF MONTANA.

8.
MONTANA LAW EXEMPTS MOTOR VEHICLES, BOTH NEW AND USED, FROM INVENTORY TAXATION WHILE IN THE HANDS OF THE DEALERS. WHY SHOULD WE DISCRIMINATE AND PENALIZE OTHER TYPES OF DEALERS AND MERCHANTS?

9.
EXEMPTING INVENTORIES FROM TAXATION WILL REDUCE GOVERNMENTAL PAPER WORK FOR BUSINESS, AND SIGNIFICANT ADMINISTRATIVE COSTS TO THE STATE, AND REDUCE THE WORK LOAD AND COSTS IN THE COUNTY ASSESSORS' OFFICES.

10.

ELIMINATION OF THE BUSINESS INVENTORY TAX WILL STIMULATE ECONOMIC ACTIVITY, INCREASE BUILDING CONSTRUCTION FOR WHOLESALE, RETAIL BUSINESSES, INCREASE JOB OPPORTUNITIES, PROVIDE FOR GREATER SELECTION OF GOODS FOR THE CONSUMER AND ALSO ADD TO THE REAL PROPERTY TAX BASE.

11.

THE MONTANA RETAIL MERCHANT PAYS MANY KINDS OF TAX - FEDERAL AND STATE INCOME TAX, SOCIAL SECURITY TAX, CORPORATION LICENSE TAX, FILING FEES, STORE LICENSE TAX, BEVERAGE TAX, TOBACCO TAX, CITY, COUNTY AND SCHOOL DISTRICT TAXES.

12.

TO AGAIN SHOW YOU THE UNFAIRNESS OF THE INVENTORY TAX, HERE ARE EXAMPLES OF REPORTING. MONTANA BUSINESSES USE SEVERAL ACCOUNTING METHODS FOR REPORTING INVENTORIES TO THE COUNTY ASSESSOR - USING (LIFO) LAST IN FIRST OUT METHOD; SOME USE DEPRECIATED COSTS; SOME USE ONLY CURRENT WAREHOUSE STOCK COSTS, AND DO NOT INCLUDE STOCKS ON STORE SHELVES - RATIONALIZING IN THEIR METHOD THAT STOCK ON STORE SHELVES IS CONSIDERED SOLD. SOME TAXPAYERS REPORT "SAME AS LAST YEAR", SOME NO REPORT. OTHER MERCHANTS REPORT THEIR COSTS OF MERCHANDISE ON HAND AS OF JANUARY 1 AT MIDNIGHT OF THE YEAR OF ASSESSMENT. - - - FROM THE FOREGOING EXAMPLES OF REPORTING YOU CAN SEE THAT THE INVENTORY TAX IS UNFAIR, NOT EQUALLY REPORTED AND IS ARBITRARY. INVENTORIES SHOULD BE EXEMPT FROM TAXATION.

COUNTIES	TAXABLE VALUE OF BUSINESS INVENTORIES	AVG. LEVY IN MILLS FOR COUNTY & SCHOOLS	ESTIMATED REVENUE
Beaverhead	\$271,089	184	\$49,880
Big Horn	311,006	88	27,369
Blaine	148,071	130	19,249
Broadwater	203,699	176	35,851
Carbon	87,254	166	14,484
Carter	16,359	194	3,174
Cascade	2,854,235	236	673,600
Chouteau	196,853	158	31,103
Custer	446,453	253	112,953
Daniels	108,287	206	22,307
Dawson	551,288	232	127,899
Deer Lodge	341,643	277	94,635
Fallon	242,381	106	25,692
Fergus	509,021	205	104,349
Flathead	2,125,254	235	499,435
Gallatin	1,567,486	232	363,657
Garfield	23,248	176	4,092
Glatier	528,129	147	77,635
Golden Valley	9,743	169	1,647
Granite	42,654	196	8,360
Hill	817,503	188	153,691
Jefferson	95,993	231	22,174
Judith Basin	32,938	188	6,192
Lake	630,964	192	121,145
Lewis & Clark	1,333,352	269	358,672
Liberty	148,223	152	22,530
Lincoln	878,353	201	176,549
Madison	89,823	172	15,450
McCone	99,023	184	18,220
Meagher	124,153	193	23,962
Mineral	136,601	283	38,658
Missoula	4,077,588 <i>made 452,740</i>	261 <i>489,556</i>	1,064,251
Mussellshell	86,335	134	11,569
Park	297,070	201	59,711
Petroleum	3,902	122	476
Phillips	178,811	140	25,034
Pondera	331,122	179	59,271
Powder River	36,297	94	3,412
Powell	139,202	196	27,284
Prairie	14,373	185	2,659
Ravalli	437,036	190	83,037
Richland	771,575	128	98,762
Roosevelt	610,146	185	112,877
Rosebud	115,420	95	10,965
Sanders	376,848	201	75,746
Sheridan	195,709	113	22,115
Silver Bow	972,963	259	251,997
Stillwater	229,040	187	42,830
Sweet Grass	65,011	168	10,922
Teton	200,488	200	40,098
Toole	214,930	138	29,660
Treasure	21,249	165	3,506
Valley	379,592	205	77,816
Wheatland	72,724	209	15,199
Wibaux	23,667	133	3,148
Yellowstone	8,203,334 <i>by 313/10</i>	207 <i>Range, 703, 178</i>	1,698,090
			<u>7,025,04</u>

*This average levy applies only to county and school levies. City and town levies are included, thus the revenue estimates are undervalued.

1973

1973

Form 4256 Counties *Knappa* *10/1/80**4/4/78*
F. *98520*State Publishing Co.
Helena, Montana
+ -

	1973	1973	1980 Inventory Taxable Value	1980 County Taxable Value
Beaverhead	15369525	271410 01.7	271089 01.	17947532
Big Horn	15819457	202991 01.2	311006 00.3	109381036
Blaine	11918271	163337 01.3	148071 00.4	35765479
Broadwater	5466891	87421 01.5	203699 02	7428822
Carbon	16202154	232962 01.	87254 00.3	23663761
Carter	6635679	12002 00.2	16359 00.1	8940655
Cascade	84553839	1850725 02.	2854235 03 -	92985125
Chouteau	22705106	248577 01	196853 00.6	29524384
Custer	15973790	380437 02	446453 02	21063819
Daniels	5926704	122929 02	102278 01	8777461
Dawson	17134138	288066 02	557288 02	24245273
Deer Lodge	18393846	188980 02	341643 02	17138503
Fallon	20714643	73290 00.3	242381 00.5	46398647
Fergus	21736221	498303 02	509021 02	24998487
Flathead	51253863	808056 02	2125254 02 -	80509842
Gallatin	37310311	675697 02	1567486 02	59346336
Garfield	6248076	79696 01	23248 00.3	7599649
Glacier	21306747	156807 00.7	528129 01	41904139
Golden Valley	3602153	42113 01	9743 00.2	4645036
Granite	5637114	68720 01	42654 00.7	6138494
Hill	21884348	411740 02	817503 02	43079358
Jefferson	8025541	87635 01	25993 00.1	10225256
Judith Basin	9306854	100161 01	32938 00.3	10702744
Lake	20817015	449412 02	630964 02	28281318
Lewis and Clark	39947902	786048 02	1333352 02 -	58963634
Liberty	7261773	84024 01	142233 00.9	16049601
Lincoln	18672613	297635 02	878353 03	29395529
Madison	11430141	149976 01	89823 00.6	18028822
McCone	7811188	69740 00.8	97023 00.1	11668238
Meagher	5335069	66580 01	124153 02	6281903
Mineral	3856291	48832 01	136601 03	4923698
Missoula	65646625	1278433 02	4077588 03 -	129649605
Musselshell	8914924	161275 02	86335 00.4	19997725
Park	14956851	311290 02	297070 01	19126865
Petroleum	2625084	32177 01	3902 00.1	3867652
Phillips	11695544	123436 01	178811 00.1	25135616
Pondera <i>286910</i>	16373321	286910 02	331122 00.1	21851305
Powder River	18044614	91902 00.5	36297 00.1	50773300
Powell	8721180	113907 01	189202 01	12685502
Prairie	5197415	75894 01	14373 00.3	5174002
Ravalli	16481409	420173 02.5	437036 02	25248876
Richland	20403024	217250 01	771575 00.9	74549998
Roosevelt	16349980	303088 02	610146 02	26188329
Rosebud	19612993	219724 01	115420 00.1	103277016
Sanders	14815392	19246 01	376848 02	19486858
Sheridan	11984838	169676 01	196709 00.5	37201403

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9595647	201967	021	712963	02 -	54502043
7068160	125769	02	229040	0.1	14166609
14,434,867	229644	021	65011	008	8270426
17213293	158956	01	200488	01	18560821
3661145	36200	01	214730	006	34611904
18437152	457070	02	21249	005	4158449
5192588	57676	01	379200	01	22213370
7,920490	40579	005	72724	01	5736094
18246146	2616627	02+	23667	002	10865080
1,061621651	17468,238	1.645%	8203334	04 -	191777515
			33025511	01.7%	1,845008,937



National Federation of
Independent Business

RECEIVED
EXHIBIT 10
4/10/81

Testimony of Gary Langley, director of governmental relations/Montana
for the National Federation of Independent Business.

House Taxation Committee

April 10, 1981

Mr. chairman and members of the committee. My name is Gary Langley. I reside in Helena, Montana, where I am employed as the director of governmental relations in Montana for the National Federation of Independent Business, an organization of 373,265 small, independently owned and operated businesses located throughout the 50 states. I very much appreciate this opportunity to appear today as the representative and spokesman for 5,168 independent businesses in Montana--each of whom has a vital interest in elimination of the business inventory tax.

The National Federation of Independent Business is a nonprofit organization dedicated to the preservation of the free enterprise system. Its major objective is to promote the creation and maintenance at all levels of government a climate favorable to the American system of private business operated for profit in which the individual citizen, subject to the requirements of the common good, is free to achieve his success through producing goods and providing services desired and needed by a general public willing to pay fair prices for them.

The views of our members on issues of current interest and concern to the business community is determined by their ballot votes which are taken and tabulated each year. In the case of the inventory tax, 87 percent of our members who responded to the survey agreed with the concept embodied in Senate Bill 283

As you can see by the ballot response, few issues have generated such a solidarity of opinion from our membership as the demand for elimination of the inventory tax.



National Federation of
Independent Business

Testimony on Senate Bill 283--Gary Langley
Page 2

The business inventory tax is both an inequitable financial burden to many businesses as well as a psychological handicap that stifles business activity and economic growth and thus decreases employment opportunity. Although the rationale for repeal of the business inventory tax varies depending on the type of business operation, all lead to the same conclusion: It is an equitable tax.

I would like to set forth just a few of the reasons why we believe business inventories should be exempt from taxation:

1. The business inventory tax does not affect all businesses equally and is not at all related to ability to pay. Manufacturers, wholesalers and retailers engaged in goods-producing or selling operations are, by the nature of their businesses, required to maintain inventories. These activities are thus penalized by the inventory tax compared with doctors, lawyers, accountants and other businesses primarily engaged in providing services who pay little or no tax. Moreover, certain wholesalers and retailers with relatively low turnover of merchandise are particularly hard hit while sellers of goods with rapid turnover are not as severely penalized.
2. Certainly seasonal businesses are unjustly penalized by maintaining a maximum inventory required prior to and including the lien date as they move into the start of their busy season.
3. Many businesses just cannot afford to handle a complete line of replacement parts because of the inventory tax. This would include such firms as auto suppliers, hardware dealers and, in general, retailers of consumer durables.
4. Unfair competition is caused against the businessman who is willing to invest in good inventory to better serve his community while catalogue companies escape taxation.



Testimony on Senate Bill 283--Gary Langley
Page 3

5. The effective tax rate on inventories are higher than effective rates on real property because inventories and other business personal property is appraised annually while real property is generally appraised less frequently.

6. Inventory taxes are not determined by a business's rate of profit. Inventory taxes actually hurt most when business slows down, inventories build up and money to pay the tax is difficult to find. Hence, the burden of the inventory tax can be inversely related to the level of profits.

Based on the response from our membership, I believe repeal of the business inventory tax would increase the level of economic activity and provide more job opportunities. However, the magnitude to which these events will occur is difficult to document and I know this is important to your deliberations.

The best and most recent information available to my knowledge on predicted economic impact as a direct response of the repeal of the business inventory tax is a study conducted a few years ago by the Washington State Research Council. For this study, a scientific random sample was made by Dunn and Bradstreet Inc. of all types of businesses by standard industrial classifications both large and small and from throughout the state. These businesses were asked whether they would expand their businesses in direct response to complete elimination of the inventory tax; if expanding, in what manner and estimated financial investment and the amount of inventory tax paid.

The results of the study showed that 70.4 percent would expand their business operations in direct response to the complete elimination of the inventory tax. Of those expanding, 85.4 percent said they would acquire additional inventory, 48.7 percent said they would increase employment, 24.6 said they would increase warehouse space and 36.9 percent said they would increase product development, research, dividends or some other activity.



National Federation of
Independent Business

Testimony on Senate Bill 283--Gary Langley
Page 4

By correlating the dollar value of expansion plans provided with business inventory taxes paid and with total business inventory tax collected throughout the state, it was estimated the business expansion would be an amount equal to 3.2 to 5 times the inventory tax loss.

Many states already have eliminated or are phasing out business inventory tax. Of the 11 continental western states, eight have either eliminated the inventory tax, are phasing it out or have reduced it.

Repeal of the business inventory tax warrants your serious consideration and approval as a means to eliminate gross tax inequities, add impetus to economic growth, create additional job opportunities and provide greater consumer selectivity and convenience.

I respectfully urge passage of Senate Bill 283 on behalf of the more than 5,000 small businessmen who belong to the National Federation of Independent Business.

Testimony
Exhibit 17

MONTANA STATE PHARMACEUTICAL ASSOC.
P. O. Box 6335
Great Falls, Montana - phone 452-3201

April 10, 1981

Testimony from the Montana State) In support of: Senate Bill 283
Pharmaceutical Association by) "An act to exempt business inventories
Frank J. Davis, Executive Director) from taxation".

To: House of Representative Committee on Taxation
Ken Nordvedt, Chairman.

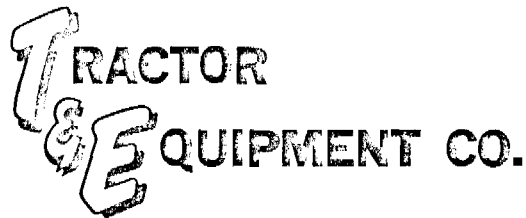
I have gathered some information from a survey completed for the Department of Social and Rehabilitation Services by the Montana State Pharmaceutical Association, based on 1979 pharmacy statistics, in Montana. We also make reference to figures from 1293 stores as presented in the Lilly Digest, 1980.

These figures show the average drug store in Helena, Montana has a rounded off inventory of \$100,000. Pays a business inventory tax of 336+ mills on a taxable evaluation of \$4000., or \$1,344. The average net profit (from the Lilly Digest) for an operation of this kind is 4.2%, or \$98.44 per day. At this rate it would take 23.8 days of net profit from each store, each year, just to pay the tax on the business inventory in Helena, Montana.

There seems to be no doubt but that this is an unfair and discriminatory tax on business. That it puts Montana merchants at a disadvantage when competing with catalogue stores having no business inventory. Or at a disadvantage when having to compete with other merchants in bordering states having no business inventory tax.

The 210 retail pharmacies in Montana represented by this Association would sincerely appreciate your favorable consideration of this bill.


Frank J. Davis, R. Ph.



7-2 variation 4/10/81
EXHIBIT 'E'

P.O. BOX 30158, BILLINGS, MONTANA 59107 (406) 656-0202
(BRANCH STORE) 201 N. CENTRAL, SIDNEY, MONTANA 59270 (406) 482-2430

April 10, 1981

To: House Taxation Committee

From: Craig Anderson, Controller
Tractor & Equipment Co.

Re: Support of Senate Bill 283

Tractor & Equipment Co., as well as other Montana equipment dealers and Montana businesses, believes the personal property tax on business inventories to be a tremendously inequitable tax. There are several inequities to be reviewed.

The major inequity is the taxation of retail and manufacturing businesses whose income earning asset is inventory, while other businesses whose income earning asset is people (service organizations, architects, engineers, lawyers, accountants, doctors, real estate agents) or the financial institutions and insurance companies whose incoming earning assets are money (loans) and insurance policies have no tax on their income earning potential.

There is no sound reasoning in taxing one business's earning assets and not another's. If there is a property tax on inventory, why isn't there a property tax on the earning potential of those businesses who bill out their personal services to their clients? Why no property tax on income to be derived from financial loans? Why no property tax on income to be derived from insurance policies? These items are inventories in those businesses.

The fact that a business buys and sells product inventory does not mean that business has a greater ability to pay than an organization who does not have a product inventory; but, instead, has people services to sell, policies to sell, or money to lend. In fact, in these times of high interest rate and the related costs of carrying inventory, those businesses may have less ability to pay.

The argument may be raised that those businesses who carry inventory require greater local services. These businesses need greater police and fire protection than those businesses that do not carry inventory. Let me assure you that those businesses already pay greater real property taxes on the additional land that is required to store inventories. They also pay greater real property taxes on the warehouses and other buildings required to house and protect their inventories. Those businesses are already paying their proportionate fair share of the municipal services they are provided.

It appears the rationale to tax product inventory is; that it is easy to count, easy to value, so tax it.

There are other inequities among those businesses who pay the tax. Those businesses, of course, who are within the city limits pay a higher tax on their inventory dollars than a business outside the city limits.

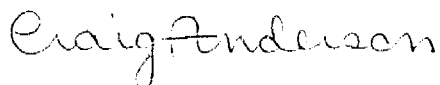
For example: In Billings, a business located within the city would pay \$11,600 in taxes for \$1,000,000 in inventory. A business located between Billings and Laurel would pay \$5,046 less, or \$6,615 for the same \$1,000,000 in inventory. This is inequitable when you consider that the inventory located within the city limits receives no more services than the inventory located outside the city limits. In fact, I cannot think of any service that is provided our inventory.

The present tax structure effects our particular business in yet another way. We lease much of our machinery to our customers on a month to month basis. Currently, we do not pay property tax on any of our inventory that is leased or rented as of December 31. It just so happens that our leasing activity is the lowest in December, as our contractor customers return our machinery as they shut down their operations for the winter. Our taxable inventory is, then, at its peak. This leaves our dealership with a taxable inventory value which is much higher than if we took an average of our taxable inventory for the year. This can influence our decisions as to when we will have a customer's lease terminate.

On one D8 Dozer, for example, there is a difference of \$1,650 as to whether a lease terminates the 15th of December or the 1st of January. Multiply this time a few customers and we find that this process can interrupt our normal course of business dealings and our management decision making process.

We encourage your passage of Senate Bill 283. If the property tax on inventory is eliminated, I am sure our dealership will pay those taxes in another way. Most probably through increased taxes on our buildings, land and property. We understand that and we always pay at least our fair share. It is the inequitable share we oppose. If this legislative assembly supports tax reform and tax equality, let us first concentrate on the inequities in our present tax structure. Elimination of the property tax on inventories is a great place to start.

TRACTOR & EQUIPMENT CO.



Craig Anderson
Controller

CA/td

Apothecary-24 Pharmacy
401 15th Ave South
Great Falls, Mont. 59405
Febr. 7, 1981

Sen. Pat Goodover
Capitol Station
Helena, Montana 59601

Dear Senator Goodover:

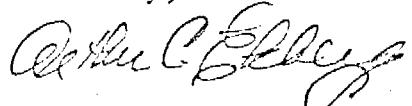
I am writing in reference to Senate Bill 283 regarding the business inventory tax. I personally feel this tax is one of the many unfair burdens on small businessmen such as myself.

In these times of high interest and inflation, I am finding it more and more difficult just to replace inventory at higher and higher costs without having to pay an additional premium to the state of Montana for the privilege of keeping critical drugs on hand for patients needing expensive medication. I could list a number of drugs that I try to stock not because they are a high profit item, but because in that rare occasion where they are needed, the patient is not in a position to wait until it can be ordered.

In addition the warehouses are paring their inventories for the same reason, making it more imperative for the small businessman to keep his stock as high as possible to avoid shortages. A good example was the recent shortage of flu vaccine in this state. Adequate supplies were simply not available. I was able to partially supply the Columbus Hospital from my supplies (at no profit), but I am taxed for the foresight to have adequate stock. Due to the lengthy production times of vaccines, I have just ordered 850 doses for next year. Unfortunately, perhaps, this is timed to arrive to avoid an epidemic of types A & B influenza in Montana rather than to avoid the Montana tax assessor.

Relieving this tax would not be the answer to the small businessman's problems in this or any depressed area, but it would serve to show that our lawmakers are concerned for those of us that are attempting to struggle through these trying times.

Sincerely,



Arthur C. Ekberg, R.Ph.

EXHIBIT 4/10/81
"G"

BEFORE THE HOUSE TAXATION COMMITTEE

IN SUPPORT OF - - - - - SENATE BILL 283

* * * * *

Mr Chairman and members of this Committee: My name is Charles Brooks. I am one of the owners of Gibson Products Company. We have stores in Billings, Bozeman, Helena, and one store, out-of-state, that is located in Louisiana. We are a Montana-based company and our corporate headquarters is in Billings.

- Montana's Business Inventory Tax is a direct and present burden on Montana businesses. We have a 65 thousand square foot store in Billings and our Louisiana store is the same size. The inventory is larger in the Louisiana store, due in part to the existance of Montana's Business Inventory Tax. This is unfair to the consumer, but necessary to our operation because, even with a somewhat reduced inventory, our taxes on our Billings store are more than double those imposed on our Louisiana store.

I am sure that you realize there is no competition as far as the consumer is concerned between Louisiana and Montana. However, since none of our neighboring states have an inventory tax, there is an unfair disadvantage in competition created, that is a definite detriment to Montana's consumers, businesses and Montana's economic climate and tax base.

In today's competitive marketplace, profit margins are limited and the advantage given to out-of-state competitors, by not having an inventory tax, is difficult, if not impossible, to overcome completely.

Through past actions, statement of specific intent, and several study commissions' conclusions, it is obvious that the intent has been reduction and elimination of business inventory taxation, due to the fact that the shortcomings and disadvantages have long been known.

The unfair and inequitable inherent problems recognized in the business inventory tax, should in itself be reason enough for repeal. However, coupled with the needs that have been discussed for an "Improved Business Climate" and "Diversified Clean Industry" in Montana - - There is really no other intelligent choice but repeal.

Elimination of the inventory tax will stimulate business activity, allow rejuvenation and expansion of existing business and encourage an influx of new business. This will cause new building, more employment and attendant stimulus to many other vital, but sluggish, Montana industries.

Due to such activity, tax bases will be expanded, employment will be increased, tax dollars will be saved and revenue increased, and all Montanans will benefit.

We must be farsighted and view our future in the years ahead, not letting immediate concerns overwhelm us and keep us from taking the steps that are really in the best interests of us all. Short-ranged goals and concerns have, all too often, proven to be counter-productive and detrimental in future years. We must start now if we are to do the job that must be

NAME CHARLES HAEFFNER BILL NO. 513283
ADDRESS 218 EVERGREEN, ANACONDA DATE 4-10-81
WHOM DO YOU REPRESENT ANACONDA CHAMBER OF COM.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WILL GIVE TESTIMONY

TAXATION 4/10/81
EXHIBIT "H"

BEFORE THE HOUSE TAXATION COMMITTEE

SENATE BILL NO. 283

Business Inventory Taxation

Mr. Chairman and members of this Committee, my name is Loren Davis. I own and operate Davis Business Machines here in Helena and I am appearing in support of Senate Bill 283.

I am sure you have heard or will hear that every business is unique unto itself, and this is true.

My business consists of, by-and-large, what we would refer to as high ticket item sales. Anytime you are dealing with sales and purchases of this type, you are dealing with entities that have taken several months to make up their mind to make the purchase and then after the decision is made they want delivery "YESTERDAY." Once a sale is made, no commissions, service work, or anything else can be counted upon until delivery is made. For these reasons I have to carry, on hand, ready for delivery most if not all of the items that are handled. Not all of these items are sold, so in many cases I pay taxes (based on their original cost) for two or more years on a piece of equipment that is expensive when I purchase it and is depreciating in the amount I can hope to sell it for because of technical advances, etc..

I am also in the business of leasing, on long-term leases, many pieces of large, expensive business equipment. I am required to service these units to keep them in the best possible working order. They depreciate quite rapidly. I continue to pay Inventory Tax on these items at acquisition cost even after they have been reduced by depreciation and obsolescence to a mere fraction of their original cost to me.

Because of competitive practices, I must stock at least one, and in most cases several of each and every model, each and every brand we handle, and with ^{and} ~~and~~ without attachments and/or accessories.

My inventory is not a fast turning type and in the lease end is not really turning at all. There is no way I can reduce my inventory in anticipation of assessment dates. If I even attempted to I would lose so much business that I might just as well close my doors.

The length of time any piece of equipment will stay out on lease depends on the use it is subjected to and the type of equipment. However, to make a point, let's say that I lease out a piece of equipment that has an acquisition cost of \$1,000 and that piece of equipment is leased out for ten years. Over the life of the lease, I will have paid \$400 in business inventory taxes on that single item or an amount equal to 40% of its new cost to me. I will have, in reality, paid out more in business inventory tax on that one item than it is worth at the end of the lease period. Even for some items that are out on a five-year lease, this can be true.

Quite candidly, these costs must be passed on to the consumers, whether we are talking about an item I sell or an item I lease.

Business Inventory Taxes are not based on the ability to pay. They make no distinction as to type of business, the number of times the inventory will turn over during a year, whether it is a controllable inventory or not, ^{obsolescence} ~~obsolescence~~ or depreciation. It is based on no more than a need felt for revenue ^{from a} ~~and a~~ selected source. I know of no tax that is more inequitable, unfair, discriminating and truly unenforceable in equity than the Business Inventory Tax, and I recommend its abolishment through support and passage of Senate Bill No. 233.

Thank you.

NAME Clark Pyler BILL No. SB 783
ADDRESS Box 1699, Helena, MT DATE 4/10/81
WHOM DO YOU REPRESENT Montana C of Comm.
SUPPORT X OPPOSE / AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

To compete in the economic arena with our surrounding states we must give our business a fair shake. Small business has been handicapped by the inventory tax for many years. The pressure has been reduced by previous legislation but it is time to remove this handicap completely.

This has been billed as a pro-business legislature. Not much visible action so far to support that. There is an opportunity to help all of our small business.

With very high interest rates it is cost enough to maintain an adequate stock. There is a valid saying "you can't do business from an empty wagon".

Good support from members

NAME Maynard A. Olson BILL No. S.B. 283
ADDRESS 206 So. Dakota, Helena DATE 4-10-81
WHOM DO YOU REPRESENT O. P. I.
~~SUPPORT~~ concerns ~~OPPOSE~~ AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We are concerned that if this tax is eliminated, that a replacement tax be provided for financing of schools.

NAME Bill Verwolf BILL No. SB 283
ADDRESS 1029 3rd Helena DATE 4-10-81
WHOM DO YOU REPRESENT City of Helena
SUPPORT X OPPOSE X AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The City of Helena opposes the passage of SB 283 unless some replacement source of revenue is provided to the local governments. In Lewis and Clark County, the elimination of business inventory tax will cost the City, County, and school district ~~app~~ over \$300,000 in lost revenue. This occurs at a time when local governments and school districts are already severely impacted by fixed property tax bases and escalating costs.

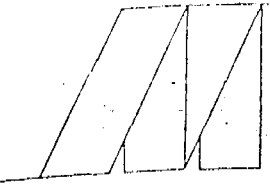
Mr. Chairman:

I would like to go over a few statistics taken from the County Assessor's report to the Department of Revenue. In the reports beginning in assessment year 1973 through 1980 there has been an average taxable valuation increase state wide of 8.4% over the 8 year period. From 1979 to 1980 there was a 12.1% increase in the state taxable valuation of which Business Inventories constituted 1.7% of the State total taxable valuation. By exempting Business Inventories by 1.7%, it leaves a growth rate of 10.4% for 1980, which is 2% over the average growth of 8.4% in an 8-year period. From the above figures, Business Inventories could be eliminated at no burden to the taxpayers of the State.

To give a few more facts and figures - The 1974 legislature exempted Household Furniture and Fixtures used for domestic purposes from taxation. Those properties constituted 1.645% of the states total taxable value, and the State's taxable value increased 11.3% from 1974 to 1975.

In addition to the above facts, legislatures in the past sessions since the 1972 Constitution which granted them Power of Exemption, legislatures have exempted from taxation the following:

Perishable fruits and vegetables after harvest; grain held in storage for seven months; livestock less than nine months of age; farm irrigation sprinkler systems; Don't you think it is about time to address the businessman on main street with a tax relief.



MISSOULA COUNTY

BOARD OF COUNTY COMMISSIONERS

• Missoula County Courthouse • Missoula, Montana 59801

(406) 721-5700

April 7, 1981

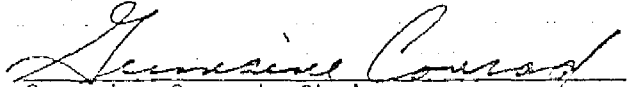
BCC-81-321

Representative Ken Nordvedt, Chairman
House Taxation Committee
Capitol Station
Helena, Montana 59620

Dear Representative Nordvedt:

In regard to S.B. 283, which would exempt business inventories from the property tax, the Missoula County Commissioners believe that, unless some attention is given to making up the large loss in revenue--our Assessor estimates that Missoula County would lose \$1,250,000--this Bill ought to be defeated. We take this position with full knowledge of the burden this particular tax places on small businesses, but with realization of our obligation to the citizens to fully fund essential services.

Sincerely,


Germaine Conrad, Chairman


Barbara Evans, Commissioner


Bob Palmer, Commissioner

BCC:HS:11

cc: House Taxation Committee Members
All Missoula House Members

NAME Mr. Amos Jurek BILL NO. SB 283
ADDRESS 24 Saddle Butte Drive DATE 4-10-81
WHOM DO YOU REPRESENT _____
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I support SB 283 for three reasons -

It is an unfair tax penalizing those individuals & corporations who endeavor to earn a profit through the sale of tangible commodities. If one is selling knowledge, expertise or a service, they are not subject to this tax. Corporations with large & small locally owned business firms have reacted that this tax not only encourages but virtually forces falsifying the true value of inventory for purposes of this tax. It also encourages out-of-state warehousing & discourages stocking the top - not a product selection that Montana consumers deserve.

⑤ It appears from a review of the act that many local businesses in my district. It appears that there is a report that the act is not -

NAME William J. Fitzgerald BILL No. SB 283
ADDRESS 111 Adams St DATE 4-10-81
WHOM DO YOU REPRESENT Kellenburg's Super Sav. Drugs
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The business inventory tax is a very unfair tax imposed on the business people of Montana.

In our case, in operating retail drug store have large inventories in our pharmacy department as new drugs are introduced we buy inventory of this new drug not knowing whether a doctor will write a prescription for it or not. In many cases we will buy a bottle of 100 new drugs and may get one prescription for the remainder of the drug leaving us with the remainder that we can not sell unless we get another prescription for that drug, which often doesn't happen.

Another large department in our drug store is our camera departments. Major manufacturers cameras such as Kodak, Polaroid, Minolta etc change their entire line very often. As soon as they (the manufacturers) introduce a new line, we are forced to discontinue the old line, that we have paid tax on. The new line of cameras introduced the old stock the inventory tax also.

STANDING COMMITTEE REPORT

April 14, 1951

SPEAKER

MR.

We, your committee on TAXATION

having had under consideration SENATE Bill No. 283

A BILL FOR AN ACT ENTITLED: " AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA."

Respectfully report as follows: That SENATE Bill No. 283

BE CONCURRED IN

DO-PASS

Rep. Switzer wanted to know what kind of effect this bill would have on people drilling in Eastern Montana; he expressed concern that they might relocate in North Dakota. Sen. Blaylock pointed out that drilling costs were allowed to be reduced in Montana. An opponent of the bill submitted that Montana's rates were much higher. Terry Colby presented information, and pointed out that the effective tax rate in North Dakota was 11.5% of gross value.

Mr. Allen, in response to Rep. Harp, said that domestic oil production would be increasing, but if the windfall profits tax on oil was added on, oil was probably much higher than the other minerals and this has taken out the incentive for exploration. They are concerned about Montana getting its share of the activity taking place in the country. They don't want to discourage potential.

Rep. Nordtvedt asked Sen. Blaylock if the implication was that the Committee should be convinced that there were higher tax rates owed elsewhere (regarding the list comparing oil and other tax rates), so Montana should also impose them. He expressed concern over this kind of thinking. Sen. Blaylock agreed that the State should be reasonable. He said the consumers had paid their share when iron products were bought. Montana didn't do this with copper, and he felt this trend shouldn't be continued any longer. He didn't think it was unreasonable to ask for a 2.5% increase.

Rep. Vinger questioned since the school system was being funded by property taxes, why teachers should be exempted from a property tax which helps fund their jobs. Sen. Blaylock said they wouldn't be exempted from income taxation, and their cost would be deducted.

Sen. Blaylock then closed, and the hearing on SB 356 was closed.

The meeting was adjourned at 10:45 a.m. and reconvened at 5:15 p.m. the same day in Room 102 of the State Capitol. Upon reconvening, all members were present.

Rep. Williams moved that SENATE BILL 283 BE CONCURRED IN. Rep. Dozier rose in opposition to the motion because it would hurt local government revenues. Rep. Nordtvedt said that the local property taxpayer would pick up the burden. Rep. Vinger submitted that it was unfair to tax retail businesses because catalog businesses didn't have to pay the tax.

Rep. Harrington said that something had to be done for local government, and the burden couldn't keep getting passed on to the taxpayer. He said he could understand the argument that this wasn't the best tax ever, but submitted that the problem of the loss of revenue needed to be addressed.

Rep. Roth submitted that the local governments had picked up much more revenue than the Legislature was aware of over the past five years due

to State leases, mineral taxes, and reassessed valuations which were higher.

Rep. Burnett said natural growth would pick up the burden shortly. He submitted that the loss wouldn't be that great. Rep. Harrington said it was \$197,000 in his area. When growth isn't there, it can't pick up the burden.

Rep. Brand said he couldn't understand why there were so many tax breaks for small business people when the State couldn't afford it. He submitted that catalog sales could be taxed instead of taking inventory taxes off of retail businesses.

Rep. Underdal said the removal of the inventory tax wasn't going to hurt nearly as much as the opponents of the bill would have the Legislature think, because supply houses weren't keeping an inventory at present. He submitted that this would bring back supply houses that had moved out of State. He pointed out that 36 States didn't have an inventory tax.

Rep. Nordtvedt submitted that the tax was equivalent to what had been done with households and their contents several years ago, and that tax hadn't been workable.

Rep. Devlin said that in his thinking the businessman was being penalized enough for his inventory just from the high rate of interest to be paid on it. He said the Legislature could help them out with this bill and it would help the business keep a stock for the public.

Rep. Harp rose in support of the bill. Only 1.7% of the tax base will be affected by the inventory tax loss. This is probably the most minor tax relief bill that will do the most good.

Rep. Roth said when the country's economy was lagging, something was needed to stimulate business and this seemed to be one opportunity to help private enterprise and it might even benefit the State.

Discussion took place regarding the fiscal impact of the loss of the revenue in various Counties. Rep. Sivertsen submitted that the livestock tax would be eliminated if this bill passed. He did some work with the Department of Revenue, and submitted that there should be a replacement tax for this: a business license tax to cover all businesses. This tax would raise the same amount of money. He added that if this tax is eliminated now, it would be very difficult to get a tax put back on. He asked the Committee to consider where the State was going down the road. He stressed that the ad valorem concept was being completely destroyed; he rose in opposition to the bill, not because he didn't think the tax should be eliminated, but because he felt the Legislature was premature and maybe the individuals should have come up with an alternative proposal to make up for what the tax eliminated.

Rep. Asay said that the entire problem hadn't been looked at, and only one part was being solved. He submitted that it was a balance of increases and decreases in taxes that was left to talk about in Committee. Rep. Brand said previously there were other bills to reduce taxes for business people.

The question was then called for on the motion that the bill BE CONCURRED IN; motion carried 11 - 8; see roll call vote. Rep. Harp agreed to carry the bill.

Rep. Dozier then moved that SENATE BILL 344 BE CONCURRED IN. Rep. Sivertsen made a substitute motion that the bill be TABLED. He said he wouldn't support revenue sharing, or the auto fee bill, and therefore he wouldn't support this bill, either. Someone is being taxed so someone else can get relief. This isn't relief, it is a tax shift.

Rep. Nordtvedt rose in support of Rep. Sivertsen's motion. (1) He was satisfied that HB 718 could in principle address the problems of hard rock impact; at least it should be given a try. (2) When translated into cost vs. ultimate price for the product, the tax can end up being 25 - 100% of previous gross income and it can convert a positive gross income into a negative one. He didn't see any reason why this new tax should be rushed into.

Rep. Harrington said the Legislature had failed to address the negative impact and this bill didn't address it. He had problems in voting against the bill. (1) The statement that the Company wouldn't continue operations if the bill were enacted, he was inclined to agree with. He cited several instances where the Company's threats to lay people off were followed up. The problem is, he didn't think whether or not this bill passed would make any difference on how they acted, but it might probably rush the process of layoffs along. There are real problems in this area, and none of the bills addressed them and the Legislature hadn't addressed them. He submitted that neither HB 718 nor this bill addressed the real problem.

Rep. Harp said that some of the things that HB 718 addressed dealt with local government costs. Also, there was a mechanism to keep the mill levies constant. HB 718 tries to address that the mining companies will pay for the impacts. The State needs to change its attitude and start to see that the impact from an industry is often positive and not negative at all. HB 718 addresses the mistakes of the past and also is the future of mining in Montana and he submitted that the severance tax was no longer the solution.

Rep. Dozier stressed that nonrenewable resources were being talked about. HB 718 addresses the local impact, but this bill addresses the fact that when the resource is gone, it is gone for good from the State. It is necessary that some kind of tax be kept on these minerals